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SBA MANAGEMENT AND OVERSIGHT OF SCORE

HEARING

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OF THE

COMMITTEE ON SMALL BUSINESS
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SBA MANAGEMENT AND OVERSIGHT OF SCORE

THURSDAY, JULY 11, 2019

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
SUBCOMMITTEE ON INVESTIGATIONS,
OVERSIGHT AND REGULATIONS,
Washington, DC.

The Subcommittee met, pursuant to call, at 10:57 a.m., in Room 2360, Rayburn House Office Building, Hon. Judy Chu [chairwoman of the Subcommittee] presiding.

Present: Representatives Chu, Evans, Craig, Spano, and Burchett.

Chairwoman CHU. Well, good morning. The Subcommittee will come to order.

Everybody is so timely that we are actually starting a few minutes ahead of time. But we are actually all here, so why not.

Okay. So thank you for all being here.

As Chairwoman of the Subcommittee on Investigations, Oversight, and Regulations, I, along with my colleague, Ranking Member Spano, are responsible for performing oversight of Federal programs that affect small business.

Today, we will have an opportunity to learn about the inspector general's audit of the SCORE program, and discuss what steps the agency is taking to resolve the IG's recommendations.

SCORE was first established in 1964 as a national volunteer nonprofit organization whose mission is to foster vibrant small business communities through mentoring and education. Over the years, it has grown to one of the largest network of volunteers, with more than 11,000 expert business advisors at 350 chapters nationwide.

SCORE provides free or low-cost mentoring and training to small business owners throughout the country to help them draft business plans, market products, and manage cash flow.

SBA reported that SCORE volunteers mentored and trained 600,000 clients in fiscal year 2018, and helped launch more than 54,000 businesses in 2017. These statistics are impressive. And because of the past successes, Congress increased funding for the program from $3.5 million in 2000 to $11.7 million in 2019, a more than 230 percent increase.

And with the additional funding came expectations that SCORE would help thousands more entrepreneurs thrive and achieve new levels of success that help grow the economy and strengthen our communities. Congress also expected the leadership at SBA and

SCORE to use taxpayers' dollars wisely and to ensure that the program operates effectively and efficiently.

Unfortunately, SBA's Office of the Inspector General's recent audit of the program uncovered systemic issues with SCORE's use of Federal funds and SBA's management and oversight of the program. That is unacceptable.

Sadly, the OIG found that SCORE commingled restricted funds with unrestricted funds, despite Federal rules and accounting standards restricting this practice. This is a result of haphazard oversight by SBA and a failure of SCORE's national office to enforce the accounting standards. SCORE's chapters used 300 separate accounting systems, some on volunteer's laptops, making effective oversight next to impossible.

And because of lack of appropriate financial oversight by SBA, Federal funds used for excessive employee bonuses went unnoticed, and improperly awarded contracts to vendors were made, lessening the likelihood that the prices paid for the goods and services were reasonable. I am particularly troubled by these findings. As an elected official, I fully expect the SBA and its resource partners to be good stewards of taxpayer dollars.

Moreover, the problems identified in audit may just be a starting point. The audit only examined $2 million of a $10 million Federal award for 2017 and part of an award for 2018. This is just a snapshot of the funding SCORE has received over the past 55 years. I am concerned that this may just be the tip of the iceberg and that SBA's lack of financial management of the SCORE program could be endemic of the program and possibly more widespread throughout the agency.

Even more troubling is the lack of senior leadership at the top of SBA that puts a strain on the agency's ability to effectively resolve these issues. The fact that SBA has been without an administrator since March 2019 and without a deputy administrator since April 2018 is particularly disconcerting. While acting heads of agencies can keep the lights on, the SBA needs strong leadership at the helm to restore integrity and accountability.

Today, we will have an opportunity to learn about the findings of the audit and to hear directly from SBA about the steps the Office of Entrepreneurial Development is taking to address the IG's recommendations and restore confidence in the SCORE program.

I look forward to hearing from Mr. Ware and Mr. Gutierrez. While I understand that the financial irregularities in the program preceded Mr. Gutierrez' tenure at SBA, I trust that you are making it a priority to restore public confidence in SCORE and in the SBA's role to ensure that taxpayers' dollars are being used effectively and efficiently and in accordance with longstanding Federal accounting standards.

SCORE's mission has always been to foster vibrant small business communities through mentoring and education and to give every person the support they need to thrive as a small business owner. But when there is misuse and abuse of taxpayer dollars, the real victims are the small business owners and entrepreneurs who are not getting the service that they deserve.

I thank all the witnesses for being here today. Your testimony will help inform the committee as we work toward the goal of en-

suring that the SCORE program is achieving its stated objectives while being a responsible steward of taxpayer dollars. I look forward to your testimony.

I would now like to yield to the Ranking Member, Mr. Spano, for his opening statement.

Mr. SPANO. Thank you, Madam Chair.

For over 50 years, the Small Business Administration has entrusted the SCORE program with fostering vibrant small businesses through mentoring and education. Congress has entrusted the SBA's Office of Entrepreneurial Development with administering the SCORE program according to Federal statutes and regulations.

The SBA's Office of Inspector General has repeatedly identified unallowable costs enabled by weak internal controls at SCORE and the SBA Office of Entrepreneurial Development. The inspector general audit released in April 2019 stated that program officials need to make major improvements to the SCORE program to ensure effective financial oversight and performance measurement. The problems identified in this SCORE audit are neither isolated or unique.

In 2017, the inspector general issued an audit of the SBA's $840,000 grant to the SCORE Association to provide technical assistance to small businesses impacted by Hurricane Sandy. In that report, the inspector general questioned 391,000 of unallowable costs, nearly half of the grant award. The report stated that the SBA cannot be certain that SCORE effectively achieved the Sandy grant objectives.

As a member of the Florida delegation, I put a lot of faith in Federal disaster recovery efforts, and I expect every dollar to make an impact on people whose lives have been upended.

Due to unreliable and conflicting performance data, we don't know how many people received SCORE services. The inspector general continually identifies significant systemic deficiencies throughout SBA grant programs. And this year, grants management was elevated to the SBA's top management challenges.

The purpose of today's hearing is to identify systemic weaknesses in the SCORE program, measure SBA's progress in implementing the inspector general's recommendations.

Our witnesses are here to provide greater detail about the report and outline plans for reform. I appreciate your efforts to protect taxpayer dollars and improve entrepreneurial development efforts at the Small Business Administration.

And with that, Madam Chair, I yield back.

Chairwoman CHU. Thank you, Mr. Spano.

The gentleman yields back.

And if committee members have an opening statement prepared, we would ask that they be submitted for the record.

I would like to just take a minute to explain the timing rules. Each witness gets 5 minutes to testify and the members get 5 minutes for questioning. There is a lighting system to assist you. The green light will be on when you begin, and the yellow light comes on when you have 1 minute remaining. The red light comes on when you are out of time, and we ask that you stay within that timeframe to the best of your ability.

I would now like to introduce our witnesses. Our first witness is The Honorable Hannibal "Mike" Ware, the Inspector General of the Small Business Administration. Mr. Ware was sworn in as the Inspector General of the Small Business Administration in May 2018. He is responsible for independent oversight of SBA's programs and operations, which encompass more than $100 billion in guaranteed loans and nearly $100 billion in Federal contracting dollars.

Mr. Ware has 28 years of experience within the OIG community and has received numerous awards throughout his career, including several awards from the Council of the Inspector Generals on integrity and efficiency as recognition for his significant work in the inspector general community.

Welcome, Mr. Ware.

Our second witness is Mr. Allen Gutierrez, the associate administrator of that Office of Entrepreneurial Development at the Small Business Administration. Prior to joining the SBA, he served as the national executive director of The Latino Coalition, where it grew to include 1.2 million Hispanic business owners and over 90 coalition partners. Before his time at The Latino Coalition, Mr. Gutierrez served as the senior advisor to the chief operations officer at the SBA from 2001 to 2006. He earned his Bachelor of Arts in political science, with a minor in business administration from the University of Southern California.

Welcome, Mr. Gutierrez.

Mr. Ware, you are now recognized for 5 minutes.

STATEMENTS OF HANNIBAL "MIKE" WARE, INSPECTOR GENERAL, UNITED STATES SMALL BUSINESS ADMINISTRATION; AND ALLEN GUTIERREZ, ASSOCIATE ADMINISTRATOR, OFFICE OF ENTREPRENEURIAL DEVELOPMENT, U.S. SMALL BUSINESS ADMINISTRATION

STATEMENT OF HANNIBAL "MIKE" WARE

Mr. WARE. Chairman Chu, Ranking Member Spano, and distinguished members of the subcommittee, thank you for inviting me to testify before you today and for your continued support of the Office of Inspector General. I am always proud to represent the dedicated men and women of the Office of Inspector General and to speak to you about their important work.

In recent years, my office has produced two audit reports on SCORE, as well as a capping report on SBA's grant management programs. All three reports point to systemic issues in the agency's grants management function and deficiencies by the agency for oversight and monitoring of Federal funds. This lack of oversight and monitoring, coupled with IT issues associated with the agency's performance system of record, EDMIS, hampered SBA's ability to defect fraud, waste, and abuse in SCORE. It also led to a culture in SCORE in which whistleblowing was discouraged.

In total, we made 27 recommendations to enhance the overall management and effectiveness of SCORE, 13 of which are closed.

We published our most recent report on SBA's oversight of SCORE in April of this year. Our objectives were to determine whether SBA had effective oversight to ensure SCORE spent Fed-

eral funds per the cooperative agreement requirements and measured achieved program goals.

We determined that program officials did not effectively oversee SCORE's use of Federal funds. They did not perform enough reviews to ensure that SCORE adhered to the Federal requirements for quarterly financial reporting. As a result, SCORE commingled Federal funds with unrestricted donations and used Federal funds for unallocable and unsupported costs.

Furthermore, despite the longstanding partnership between SBA and SCORE, program officials did not keep track of the total cost of the program and did not perform a complete financial examination of SCORE.

Compounding these issues, SCORE relied on more than 300 accounting systems to track Federal funds, which affected its ability to perform effective oversight.

We questioned costs totaling over $713,000 that did not adhere to the cooperative agreement requirements or were not properly supported and made 11 recommendations, 3 of which are closed.

Our previous report on SCORE focused on the $840,000 supplemental grant that SBA awarded to SCORE in fiscal year 2013 for disaster technical assistance following Hurricane Sandy. We found that SBA did not provide effective oversight over SCORE's financial management of grant funds. We also found that SBA exempted SCORE from submitting quarterly financial and performance reports. As a result, we questioned costs totaling more than $391,000, or 47 percent of the grant. The audit report included 12 recommendations, 10 of which are closed.

We issued a capping report in early fiscal year 2019 in response to our work on SBA's various grant programs, many of which, like SCORE, are under the purview of the Office of Entrepreneurial Development. The audit found systemic risks with SBA's ability to conduct financial oversight, including not enforcing financial reporting requirements, cost category reimbursements, exceeding budget, weak financial review procedures, and incomplete supporting financial documents.

We also found systemic issues regarding SBA's performance oversight, including inaccurate and incomplete performance data and documentation, failure to enforce performance reporting requirements, and performance measures lacking outcome results. We made four recommendations, all of which remain open.

In addition, several of our most recent reports on entrepreneurial development programs, including SCORE, have identified problems with SBA's performance system of record, EDMIS. Technology lapses with it continue to impact program management. These systemic issues led us to identify grants management as one of the most serious management and performance challenges facing SBA in fiscal year 2019.

Additionally, we recently conducted three criminal investigations for potential instances of embezzlement and whistleblower retaliation violations within the SCORE program, two of which were substantiated and are now closed. SBA has not yet provided a response to our March 29 report of investigation, which substantiated a SCORE volunteer was terminated in part for cooperation with my office on one of the just mentioned fraud investigations.

SBA officials acknowledge the systemic issues with grants and SCORE management and have documented plans to address them. That said, we will continue to perform reviews and make recommendations for corrective action to promote efficiencies and effectiveness within SBA's grant programs.

Thank you for the opportunity to speak to you today. I look forward to your questions.

Chairwoman CHU. Thank you, Mr. Ware.

Mr. Gutierrez, you are now recognized for 5 minutes.

STATEMENT OF ALLEN GUTIERREZ

Mr. GUTIERREZ. All right. Thank you very much, Chairwoman Chu, Ranking Member Spano, and members of the subcommittee, for inviting me to testify this morning.

I appreciate the opportunity to appear before the Subcommittee again. As you know from my previous hearing, I am associate administrator of SBA, the Office of Entrepreneurial Development. Our program office is the agency's technical assistance arm, oversees SBA's primary counseling and training programs.

Today's hearing is focused on one of our three resource partners, the SCORE program, and recent findings of an inspector general report on the program.

First, let me acknowledge that the agency, unfortunately, did not exercise adequate program oversight in the past. SBA did not have proper internal controls in place to monitor the spending activities as outlined in the IG report. We have been correcting this and will be doing better in the future.

With the SCORE program, SBA provides the funding to the national SCORE Association, who then distributes to their more than 300 chapters across all 50 States and U.S. territories. This is different process than other—than our other resource—two resource partners, where the grant is provided directly to the 63 small business development centers or directly to the hundred-plus women business centers.

The primary manner in which the agency exercised oversight of our resource partners is through the terms and conditions outlined in the cooperative agreements.

When I was first appointed to my role in May of 2017, the SCORE program was two-thirds of the way through their 2017 cooperative agreement and their fiscal year 2018 cooperative agreement was mostly completed.

In fiscal year 2019, the cooperative agreement, we were finally able to establish some fundamental foundational items that we had been working on for over a year. In 2018, I initiated change management processes that included changing the performance matrix for all three resource partners to make them more consistent and to hold them more accountable.

I also revised the funding announcement opportunities and terms and conditions in the cooperative agreement for all three resource partners to strengthen the agency's oversight.

One example with SCORE was the inclusion of language in their fiscal year 2018 cooperative agreement for potential financial examinations. In the past, the agency, unfortunately, did not

prioritize financial examinations. We are now and will be performing an examination of the SCORE for the first time in August.

I have also focused on addressing longstanding audit findings in the SBA's Inspector General. Working collaboratively with IG, my office has successfully closed 90 percent of all recommendations. We anticipate closing the remaining recommendations in the next 2 months.

With the IG April report, my office has continued to work collaboratively with their auditors, and we have closed three and resolved eight of these newly issued recommendations.

Since the IG issuance of the audit report, we have increased oversight of the program. As previously mentioned, we are nearing the completion of the SCORE's standard operating procedure, a first in the program. We also have modified SCORE's terms and conditions to clarify language regarding whistleblower reporting. Further, my office has developed guidance and will be providing training on Federal financial management as SCORE's upcoming national leadership conference that will take place this August.

Please know that I take this issue raised in the IG report very seriously. I remain committed to making improvements in the oversight and monitoring of SCORE's use of government funds and its reporting of performance results. I feel the changes we have been making and the new parameters we have established will help to prevent abuses in the future.

Thank you again for the chance to testify, and I look forward to answering any questions you may have.

Chairwoman CHU. Thank you, Mr. Gutierrez.

Well, I will begin by recognizing myself for 5 minutes.

Mr. Ware, SCORE was first established in 1964. Today, it is the largest network of volunteers, with more than 11,000 expert business advisors at more than 350 chapters nationwide. SCORE offers free and low-cost counseling and training to about 600,000 clients each year.

I am particularly troubled by the findings in your audit, since SCORE could serve such great purposes. And I would like to know, on a scale of 1 to 10, with 10 being the most serious, how substantial are your findings and why? I want to know how, relative to other audits that you have done, how serious this is.

Mr. WARE. On a scale from 1 to 10, I would be comfortable giving it an 8. And I can explain.

It is not uncommon—as we have said, you know, we find systemic issues across programs. It is not uncommon to find the type of issues we found. What elevates it to this is where you have a culture where whistleblowers are penalized for reporting fraud, waste, and abuse. And that, to me, is completely unacceptable. We substantiated the fact that a whistleblower was, in fact—which is basically an unpaid employee, a volunteer—was, in fact, removed, in part, because he reported fraud to us, which resulted in a conviction. And that for me raises it to a level 8.

Chairwoman CHU. Well, that is—that is really incredible.

And, Mr. Ware, your report found that SCORE commingled Federal funds with unrestricted funds. Federal regulations require recipients to maintain financial management systems to identify the source and application of funds for federally funded activities.

Moreover, the program announcement for SCORE specified that the program income may not be commingled.

So how many years have these regulations been in place, and why didn't SCORE comply with the Federal regulations, and why didn't SBA take steps to ensure that SCORE was adhering to this clear guidance?

Mr. WARE. So I have been auditing for a long time, you know, since like 1990. And if I—that prohibition has been in place, not just for SCORE, but across government from then. I remember circular—OMB Circular A110. I believe that was in 1993. That definitely made it clear that you could not commingle funds—Federal funds, period, not just for SCORE. And that was superseded recently—recently, like 2014 recently—by the uniform guidance, but it maintained the same prohibition of using it.

But my auditors determined that the volunteers placed in charge of the chapter funds are not properly guided on the requirement of separating funds. And with no uniform accounting system in place, it is almost—it is almost impossible to do so.

When I say they have 300 accounting systems, I am being generous. You know, if you want to call an Excel spreadsheet an accounting system, okay. You know, but that is why.

Chairwoman CHU. Well, I would have to say that that was one of the most astounding findings, that there were 300 separate accounting systems and some were on the private laptops of volunteers.

So, now, SCORE is moving towards a consolidated accounting and banking system, which would require all chapters to be part of this new system by September 2020.

In your view, will this consolidation of all chapter-level banking into a single account controlled by headquarters be sufficient to reduce the risk of Federal dollars being misused?

Mr. WARE. On the surface, I would say that it—as a matter of fact, let me just say it this way. It has a great potential to be sufficient. I say that because a system in and of itself—clearly, this system, when you had 300 before, will make things work a lot better in terms of oversight. But the system is just a system. It is up to the folks who are responsible for oversight to still conduct the type of oversight responsibilities like reconciliation, like asking questions when things come up that look fishy and things of that nature. So it has to be coupled with that real oversight drive by the agency and by SCORE.

Chairwoman CHU. And would a full-time compliance officer help in this situation?

Mr. WARE. That is a—that is a tough question for me. I am not certain if that would help, but it does speak to our recommendation to SBA that they consolidate their grant function so that they have one person who is responsible for the success of all its grants programs.

Chairwoman CHU. Okay. Thank you.

And now, Mr. Spano.

Mr. SPANO. Thank you, Madam Chair.

Thank you, gentlemen, for being here. We appreciate your time.

Many of the financial and performance issues have been identified in previous IG reports on the SCORE program. And so my

question for you is this: Have any action—any substantive actions been taken to address those issues after the 2017 report, or did things pretty much remain status—status quo between 2017 and 2019?

Mr. WARE. Well, I could answer. So some improvements were made. We had 12 recommendations. We had 10 that we were able to close based on the information. The problem was, with the two that are outstanding, have to do with the SOPs that Mr. Gutierrez spoke about that would really drive that true financial oversight and drive at real performance, outcome-based performance measures. So they haven't put those SOPs out, so they haven't been sent out to the field or to anybody else for use.

Mr. SPANO. Okay. So to summarize your comment there, essentially, what you are saying is that the sum and substance of what would make a difference hasn't really been implemented.

Mr. WARE. Correct.

Mr. SPANO. Okay. And then I will sort of ask you, Mr. Gutierrez, can you explain why that is the case?

Mr. GUTIERREZ. Sure. Couple of things. One is, I think as mentioned in my oral, is that when I first got there, as Mr. Ware mentioned, is the culture in the oversight. For me, I take it near and dear and very personal in that sense.

So in terms of making everything effective and efficient, when looking at everything that was presented to me in arriving there in 2017, was really to—couple of lanes. One lane was the outstanding IG items that were there that had never been taken care of, right? And taking those, within a year, 90 percent of wiping those out and taking care of them, working hand-in-hand with the IG to make that statement to staff and internally also to the agency that we take things very seriously and I take things very seriously. So that was one area.

The other thing I would say too is that as this audit was being done by the IG in terms of SCORE, as we got to the final draft of being—three of them already had been taken care of. Why? Not because they were already doing the audit. It was because I had already started doing stuff when I first got there and looking and looking under the rug to really take care and ownership of the overall Office of Entrepreneurial Development.

So I really have expressed that—and the culture in changing that ongoing with the team of accountability and everybody on the team being held accountable, including myself, in moving forward.

Mr. SPANO. Would you disagree with Mr. Ware's testimony just a moment ago that the primary recommendations in terms of accounting and how to effectively oversee and provide oversight, would you disagree or agree with his comment that that has not been implemented by the SBA?

Mr. GUTIERREZ. Well, the accounting process is—first of all, I am—it is good to see that SCORE has mentioned that they have—will be consolidating everything to headquarters. That is a positive step. But I am disheartened in terms of his testimonies and his—especially to the Senate, where in his responses, he mentioned in March of 2020 that he will have it done, and here he responds back in saying that now in September of 2020. He keeps kicking the can down the road.

I feel that that is not—that is not good. I am going to follow up with his office in that. Because I think the first priority, it shouldn't take since 2016 for the SCORE Association to be consolidating the 300 accounts into one in headquarters. That needs to be a number one priority for them, to recognize from this report that this means serious business.

By them doing it sooner than later, that is—we are going to still do the first financial exams in August, but certainly that is going to enable us even more oversight with them when they consolidate everything at headquarters in Herndon.

Mr. SPANO. Okay. So that begs the question, how is the SBA going to make sure that happens?

Mr. GUTIERREZ. I have a followup that I will be sitting down with them. I am going to ask for more extra data from their side.

I think that instead of doing events across the country and asking for $900,000 for next year's budget, he should hire folks and get this thing done sooner than later. That should be the number one priority. The number one priority should not be doing events in the next couple of years. The number one priority should be consolidating all those accounts, making that Herndon a one-stop shop in accounting and having that up and implemented October 1 of this year.

Mr. SPANO. Thank you. I yield back.

Chairwoman CHU. Thank you. The gentleman's time has expired.

And now the gentleman from Pennsylvania is recognized for 5 minutes, Mr. Evans.

Mr. EVANS. Thank you, Madam Chair. I appreciate this opportunity.

Inspector General Ware, I applaud your work on the audit of the SCORE program, and I hope the SCORE is listening intently. These are some very serious issues. Providing more robust oversight of the SCORE program is a priority for the Small Business Committee.

With components like personalized one-on-one counseling, convenient online and local community workshops, multilingual guides and programs targeted towards women, minorities, and veteran entrepreneurs, I honestly believe that if operated appropriately and effectively, this program has the potential to help a lot of entrepreneurs who just need the right tools and guidance to thrive.

In your view, Inspector General, what more can Congress do to ensure that the program is operating effectively?

Mr. WARE. Thank you. In my view—and I kind of prepared for this question in the last testimony and wasn't asked. But in my view, I think it has to do with—as a matter of fact, let me use a different program, the STEP program. So in the STEP program, Congress put in specific performance measures to ensure that the program was meeting its intended purpose. Well, that hasn't necessarily been done for SCORE.

But I have to say that Mr. Gutierrez and his team, in making some of our—in implementing some of our recommendations, put in some pretty good outcome-based performance measures this time around. But if it is not measured properly, it almost doesn't—doesn't matter. And to this date, that is done based on Mr. Gutier-

rez'—and the SBA's, to be more correct—SBA's understanding of what the purpose of the program is. The Congress has not defined—fully defined what their true intent for the program is in terms of measurables. So we would like this measured. And I think it worked really well for STEP, and I think that that would work well for SCORE and some of the other programs as well.

Mr. EVANS. Can you give an example of it?

Mr. WARE. Well, an example of some of them that they did implement recently was like the financial impact to the businesses, the growth in the businesses. That is what you want to see in terms of it, not just how many people showed up to one of your mentoring things or one of your workshops. And those things drive at what we believe would be—what is the obvious to us, you know, the reason the program exists.

Mr. EVANS. Uh-huh.

Mr. WARE. And they put that in the 2020 CBJ, and they have also put it in the grant announcement, I think, for 2019, if I am not mistaken. Yeah, the program announcement.

Mr. EVANS. Mr. Gutierrez, can you please explain to the committee why SBA failed to conduct a financial audit of the SCORE program?

Mr. GUTIERREZ. As I mentioned—let me add a little bit to the performance too as well, sir, if I may.

All three resources partners, when I got there, they had never been held accountable for all their expected outcomes and performances. They had been given a free pass for many years. And that is truly unacceptable with taxpayers' dollars. Because what we want is we want more effective and efficient to reach out to our entrepreneurs, to reach out to all small businesses that have that dream to become a large company and provide jobs for all Americans.

So from that standpoint, I just wanted to add that we added performance outcomes and performance matrix, first time for many years that we released this past year. It hadn't been touched for many, many years.

In regards to the financial audit, by then moving everything to a one system in Herndon, that will enable us to really work hand-in-hand doing that financial oversight financial exam.

It hadn't been done in the past, I will admit that and I mentioned in my testimony. I don't know for many reasons in the past for my predecessors why they didn't, but we will be implementing that in August. And, certainly, what I would like, as I mentioned earlier, more expedited from the SCORE Association, to have this all implemented by October 1 so we can have even more stronger checks and balances and oversights on them.

Mr. EVANS. Thank you, Madam Chair. I yield back the balance of my time.

Chairwoman CHU. Thank you. The gentleman yields back.

And now the gentleman from Tennessee, Mr. Burchett, is recognized for 5 minutes.

Mr. BURCHETT. Thank you, Chairlady and Ranking Member.

Mr.—is it Gutierrez? Tell me your name. Mine gets massacred every time somebody says it, and I just nod. So tell me how to say your name.

Mr. GUTIERREZ. Gutierrez.

Mr. BURCHETT. Gutierrez. All right. And I got Mr. Ware. I believe I am going to stick with that.

I appreciate y'all being here. And, again, I appreciate the Ranking Member and the Chairlady for letting me speak.

This is for both of y'all and just whichever one wants to handle it first. Is it the SBA's responsibility to monitor and oversee the ongoing SCORE operations for effective and efficient use of Federal funds? And how do your offices define effective and efficient of Federal funds?

Mr. WARE. I could go first, if I may.

Mr. BURCHETT. Yes, sir, please.

Mr. WARE. It is our belief that it is the SBA's responsibility. SBA is the person administering the grant and running the grant. They are the ones with real responsibility to the American public to ensure that integrity exists in a program and that taxpayer dollars are being used for its intended purpose.

And what was the next part, the other part? Sorry.

Mr. BURCHETT. Yes, sir. How do your offices define effective and efficient use of Federal funds?

Mr. WARE. Oh, that would be—from an inspector general standpoint, that would be where proper internal controls are in place to mitigate the risk of any fraud, waste, or abuse in the programs, which is not as complicated as that sounds. It is doing general oversight, doing general reconciliation, asking for the right financial reports and reviewing them when they come in.

And the next problem that we have where—let me flip it so that it would be in a positive—would be a program that adequately measures the program outcomes.

Mr. GUTIERREZ. I would say definitely. You know, yes, sir, in a sense, effective and efficient is the reason why I put in more performance matrix and more accountability to all the three resources partners. We are talking close to $200 million a year in appropriated dollars, and we want that to be more effective and efficient and reach out to all stakeholders across the country.

What I would say, that the internal controls is something that, you know, my staff, you know, they have gotten to know me even more these last 2 years, but I get into the weeds on things, right? Why? Because I take it seriously, and I want to make sure that from the vision of previous Administrator McMahon and the future administrator too, that we always are taking the agency to the next step, right?

So as mentioned, the SOP, as it should be, I would say in the next couple of weeks ready to be released. And that is something that had never been done before, never been done. No SOP for SCORE for many, many years. For me, it was mind-boggling. For women business, OWBO, for example—we are not here for OWBO, but same thing, no SOP ever. And we are almost finalizing that as well.

So those are measures and steps of proactiveness approach and creating those internal controls.

Another example, in terms of—I know Mr. Ware talked about grants, right? Other thing too is that creating—you know, we all know about, you know—you know, we get the option when we are

on our phones or emails to create a two-step verification process, right, so we don't get hacked, right? Well, my thought is, and what I will be implementing is, same thing as well, a two-step verification process.

Because in the past, the reimbursable that would come in from SCORE on a quarterly basis would go to the program manager, but the program manager that reports to the head of that office would never really see that. And I am like, that just—we want to have more accountability for everybody on my team. So that two-step verification process we are going to be implementing before it goes to grants to pay that particular reimbursement.

I feel that that way, it is accountability for everybody, everybody is on the hook, that we continue to improve and make everything more effective and efficient.

Mr. BURCHETT. Thank y'all very much.

Chairlady, I yield back the reminder of my time.

Chairwoman CHU. The gentleman yields back.

And we actually have time for a second round of questioning, and so I will just start it off.

Mr. Ware, SCORE used more than $100,000 of remaining funds to increase its bonus pool with a significant portion going to four SCORE executives. Your report found that SBA did not detect the fact that SCORE redistributed these funds for these bonuses for the staff.

Could you discuss the rules and regulations governing the reprogramming of these funds and the seriousness of this issue? And is this type of reprogramming allowed under SBA rules and regulations?

Mr. WARE. Right. So under grant rules and regulations, there are ways that the grantee is allowed to reprogram funds. Some of those require that—you could just do it as long as it is under 10 percent. It is not specific to bonuses. It might be for anything. You just find that you need it somewhere else for the efficient and effective running of your program, right?

Chairwoman CHU. Yeah.

Mr. WARE. So bonuses are a little bit different to me, the way that I think about it.

Anyway, if you go over 10 percent, like they did in the case with the bonuses, you are required to notify the agency first, and the agency can determine whether or not that is allowable. In this case, that didn't happen. And as a matter of fact, they called it—they did a line item called additional personnel budget line item, which meant that when SBA looked at it—well, when they looked at it, they didn't—they didn't know that it was for bonuses. Now, something like additional personnel budget would beg the question, like, what is additional personnel budget?

But what was more egregious to us was they used the money that was left over on the grant to decide that that was going to bonuses. And, I mean, I think that just opens up a terrible Pandora's box, if you may, that, well, we could just—we know how much bonuses we really want to give, right, so how about we just cut off what we are doing? I am not saying that is what they did. I am saying it opens the box, and we would like to see that box closed.

So, yeah, that was our main problem with it.

Chairwoman CHU. Mr. Gutierrez, what are you doing to make sure that box is closed?

Mr. GUTIERREZ. All right. I hear you. Let's close the box, huh? That is the term of the day, "let's close the box."

No. Certainly, as Mr. Ware mentioned, there is that 10 percent threshold that they do moving forward, at any discretion for them. But one thing that I was talking to my staff and my team is that we are looking at some language in the terms and conditions and the funding opportunity to require them to provide us what is the formula, you know. It is very interesting that in there—and it is unfortunate, you know, that it is top heavy in terms of bonuses. I think that that is just not an incentive for the whole team over there to know that only the top are the ones that are receiving the most.

I think that a lot of times, as we know, is that people in middle and lower staff are the ones that do a lot of the work, right? And they deserve to be compensated in that aspect.

So I would say that what we are looking at is putting in language in there to ask them what are the formulas up hand and give them guidance in terms of it. Because he was asking like, well, what is excessive related? It is very interesting that he mentioned, you know, that the range of 5 to 20 percent of SES executive pays receive bonuses.

I am on the PRB, the performance resource board. I have not seen something where we give 20 percent to SES, noncareer—I mean, career individuals. So I don't know where he is getting that from. But certainly, we are going to create guidance and more language in the terms and conditions and also on the funding opportunity.

So there is no—so he knows—everyone knows what the expectations are and that we are all on the same page.

Chairwoman CHU. Thank you.

And, Mr. Ware, SBA overreported SCORE's accomplishments for numbers of clients trained by 31 percent and underreported SCORE's accomplishments for the total number of clients mentored. And you concluded in your report that SBA should improve its performance measures and program oversight.

How could we improve the performance metrics for SCORE?

Mr. WARE. Yeah. So those metrics—SBA is getting at it in terms of doing the outcome-based, but in reality, even the output-based measures could be questionable, because their system of record, it has a tendency to lose information and the proper information is not in it.

Their own internal auditors, when they—of all the—let's say they tested a whole—their test pool, they found errors in 100 percent. Yeah. So, you know, they are going to need to clean up EDMIS as best they can. I know that is not a simple ask or a simple task, but it needs to be done if we are going to know if the—if we are going to have accurate measures.

Chairwoman CHU. Thank you. My time has expired.

And, Mr. Spano, you are now recognized for 5 minutes.

Mr. SPANO. Thank you, Madam Chair.

Mr. Gutierrez, as far as the misallocated moneys, it seems pretty clear, obviously, from the testimony that that occurred, okay? What

does the—I guess the first question is, have you communicated with SCORE and their representatives and asked them whether they plan to return the misallocated money, and what has been their response?

Mr. GUTIERREZ. Sure. Thank you. Where we are at so far of the 696—696, we are at a point where it is close to 113, per se, that they are already saying that they are going to submit back in repayment. Still there are—there is still a significant amount there.

There are certain areas that we are still waiting for, which is kind of interesting, he submitted. I did the same process—and it is not like I like doing this every year. But as we were talking about the Sandy, when I got there, it was—the culture when I got there was like let's just slap on the wrist and tell them not to do things ever again. I am like, no, we are not doing that. We are going to give them a chance, submit anything that they have that substantiates for us to go to Mr. Ware's team to reconcile and let go.

So I did the same process on this one, gave them an opportunity up to June 30 to submit any additional things that we can go back to the team and IG to work on.

Mr. SPANO. Let me just interrupt you. Have they suggested that they use money from the grant to repay the misallocated moneys?

Mr. GUTIERREZ. They haven't—what they so far have—on some of the items that they responded in saying, yes, we will repay this, this only—in the formal writing, they are saying we admit and we will repay this. They haven't said how they are going to pay it. But because—my thing is, we want to get to more of getting as much as we need——

Mr. SPANO. I understand that. But I want to make sure that they are not using grant money to repay misallocated grant money. That doesn't make a whole lot of sense.

Mr. GUTIERREZ. I hear you, yes.

Mr. SPANO. So then I would also ask, as far as the cooperative agreement is concerned, okay?

Mr. GUTIERREZ. Uh-huh.

Mr. SPANO. Is it a contract per se, as we typically would know it, where both parties would have responsibilities and then there are enforcement mechanisms?

Okay. You are nodding your head yes.

So my question is, as it relates to potential future failure to not meet whatever the metrics are as it relates to their failure to repay misallocated money, you know, as it relates to the violation of the whistleblower law, what in the cooperative agreement do we have—does the SBA have that is—we could use—SBA can use as a hammer to enforce compliance?

Mr. GUTIERREZ. Yeah, good question. Certainly, I would say that, you know, if you don't put something in there, then you can't hold them accountable, right? So in revising and updating all of the cooperative agreements and terms and conditions that hadn't been done for many years—I mean, I went in there when I first got there and looked at all of them, there was stuff there that was still language when I was there in 2001 that no longer was there.

So by putting those measures in there now, it is, you know, a notice, if you don't meet these, I think we will look at areas of how do we—we are going to hold them more accountable.

On the performance matrix, as Mr. Ware mentioned, you know, I will say that we do now a quarterly audit in that sense. So now we look at what they have submitted into EDMIS and make sure that it is all apples to apples. And before, no one used to do that.

Mr. SPANO. All right. So let me just interrupt you in for a second, if you don't mind. I apologize. I have only got a minute and 11 seconds left.

So my understanding is that now you are incorporating the ability to be able to hold them accountable under the new cooperative agreement.

What are the provisions, what can you do under the cooperative agreement?

Mr. GUTIERREZ. I think there are measures of holding them at the end of the year for the new fiscal year 2020, if they don't meet all the systems, to really look at something seriously of really how effective we can—should this program really be viable, in that sense, or what are other measures to continue having that volunteer base across the country but with an organization that will meet all the needs.

Mr. SPANO. Okay. So it sounds to me what the—the hammer is, is, well, we may not use you in the future.

But my question is, and I would suggest, maybe, you have your attorneys look at very specifically what is it that we can do during the term of an agreement to enforce compliance. Not just say, well, when we are done with this cooperative agreement, we may not—there has got to be something more than that, would be my suggestion.

Thank you.

Mr. GUTIERREZ. Definitely. We will take that into consideration.

Mr. SPANO. I yield back.

Chairwoman CHU. Thank you.

And now the gentleman from Pennsylvania is recognized, Mr. Evans.

Mr. EVANS. Thank you, Madam Chair.

Mr. Guchella, did I get that right?

Mr. GUTIERREZ. Gutierrez.

Mr. EVANS. Gutierrez. I apologize.

It is my understanding that the Office of Entrepreneurship at the SBA oversees the SCORE program, and the Office of Grant Management awards the cooperative agreement to SCORE and also monitors it to adhere to the terms and conditions of the agreement.

Does the lack of leadership at SBA restrict your ability to work within the agency's organization structure to resolve and close out the inspector general's recommendations?

Mr. GUTIERREZ. I would say, as I mentioned earlier, that two-step process verification now, with my head of the Office of Entrepreneur Education, where the reimbursement comes in from the quarterly basis from SCORE, before it goes to grants management

for processing, now I have the head of that office also reviewing and signing off on it.

So that is an additional layer of internal controls that I am implementing in that aspect to make sure that whatever goes to the Office of Grants Management to be ready to be signed off by them to payment, that we—I am holding my team accountable as well.

Mr. EVANS. Can you please explain specific steps that it will take to ensure there will be effective coordination between the office—what was that, what you just were describing to me there?

Mr. GUTIERREZ. Yes, sir, that is what I was describing. That was not—in the past, that process of two-step verification and internal controls had not been implemented before.

Mr. EVANS. From where you are now and after just listening to the inspector general, how long do you think it will take you to respond to these recommendations and make this happen?

Mr. GUTIERREZ. I think—I am not going to put words in Mr. Ware's mouth, but I know that him and I had—he knows that when I mean something, I am going follow through on it.

And in the matter of that year of wiping out 90 percent of all the IG findings—and on these, three were already done. We have several ones that we will be closing very shortly. So we have put certain dates in for each of them that we agreed upon between us and Mr. Ware's team. But obviously, the sooner the better on all of them. And I wouldn't be surprised, with my great team, that we will get that done.

Mr. EVANS. I think Mr. Ware wanted to comment on it.

Mr. WARE. Yeah. To your question—I think your question had to do with how to—the absence of leadership——

Mr. EVANS. Correct.

Mr. WARE. Right. And the way that our process works internally, Mr. Gutierrez and his team works directly with our assistant inspector general for audits, her director and their team, to resolve the—when it—the only way it gets to the top is when there are issues, when you don't have a willing partner, to—who is really interested in implementing the recommendations and seeing change. And the audit team has a short meeting on the way over here that they found this to be the case with Mr. Gutierrez and his team since he has gotten here.

Mr. EVANS. I would like to go back and the same question I asked to Mr. Ware. If you had—in your view, what can Congress do to ensure the program is operated effectively? I heard the recommendations was made about the STEP program, building some things specifically.

Do you have any other thoughts, comments on that?

Mr. GUTIERREZ. Yes. You know, again, putting in the performance matrix—and actually, we included more for the SCORE foundation—the SCORE Association and holding them more on the performance matrix. And they assured me—before, in the past, when I got there, it was done always on a year lag. But we will in fiscal year 2020 be able to, on a quarterly basis, look at the numbers and hold them accountable for all.

And so, for me, putting those measures in place and holding everybody accountable, on all three resource partners, like I mentioned, are close to $200 million, and they weren't held accountable

for meeting their numbers. And they are, and they know it, that they will be under my leadership at OED.

Mr. EVANS. Madam Chair, I will return the balance of my time, and I thank you very much.

Chairwoman CHU. Thank you. The gentleman yields back.

And now the gentlelady from Minnesota, Ms. Craig, is recognized for 5 minutes.

Ms. CRAIG. Thank you so much, Chairwoman.

And I apologize, I was a bit late. So if you got the answer to these questions before I do, my apologies in advance.

I worked for a Fortune 500 company and obviously had a board of directors. We had a foundation, et cetera. And I was really interested in this topic of SCORE—the SCORE program and the foundation, having identical board of directors, its leadership, its foundation, et cetera, et cetera.

Is this—how unusual is this arrangement, and sort of how do we make sure that there is proper oversight?

Mr. GUTIERREZ. Great question, ma'am. Certainly, for me—I will tell you, in my personal experience running national nonprofits in the private sector, I was very always cognizant of that, because you always want to have a line—a separation, a line as it relates to a 501(c)(6) and a 501(c)(3).

Given the nature that a 501(c)(3), in terms of their mission statements and what the IRS expects them to provide in terms of their resources, right? I—it is a very gray area that I am not really—we are not really—we can't control the foundation. Let's make that clear. What we can control is the association and the grant.

We are entertaining and looking at ways to put some additional language in there that really should clarify and—the fact of having a CEO for a 501(c)(6) and a 501(c)(3), the same CEO, that is not good optics, it is not good ways of really effectively managing two nonprofit organizations.

Ms. CRAIG. So I guess more specifically and as followup, are you going to recommend that the board of directors and your foundation not serve on each of those programs specifically?

Mr. GUTIERREZ. We are limited in terms of what we can hold accountable on the 501—the association, but not on the foundation. That is something that is separate from and we have no oversight on that one. But we certainly are—would be encouraged if the board of directors and the Chairmen look at ways to really have a line of separation going on in the future, given the IG report.

Ms. CRAIG. Thank you very much for that.

The topic of compensation also caught my attention. I was head of the compensation committee of a private, again, Fortune 500 company.

And so can I just ask you about the at-risk portion of this? Can you explain a little bit more to me about, you know, what the regulations governing executive compensation and detail what specific steps SBA plans to take to make sure that all compensation is reasonable and appropriate?

Mr. GUTIERREZ. Yes, ma'am. Certainly, we mentioned a little bit earlier that it is one of the things that we are going to put into the terms and conditions in the funding announcement, is—so we are all on the same level playing field in terms of as it relates to

what kind of formula, what is their methodology that they are coming on.

Because I was very bothered and concerned that it was very top heavy. And it needs to be fair and equitable for the entire 23 employees that they have. Certainly, I mean, we all to want to strive and give incentives for everybody on the team to do their best for an organization. But certainly, I think that having the right formula and understanding it and the right expectations of what we deem as excessive and unexcessive, we will be writing those guidelines for them for fiscal year 2020.

Ms. CRAIG. Thank you so much.

And, Madam Chairwoman, I yield back.

Chairwoman CHU. Thank you. The gentlelady yields back.

And we want to thank all the witnesses for taking time out of their schedules to be with us today.

Let me thank Mr. Ware for shining a bright light on the systemic issues that need to be addressed at the SBA. It is my hope that your work will lead to programmatic changes that will strengthen accountability and restore confidence in SCORE. Sunshine is said to be the best disinfectant, and we can now begin the process of rebuilding the public's trust.

And that falls to you, Mr. Gutierrez. Without permanent leadership at the helm of SBA, the full responsibility of closing out the inspector general's recommendations will be within your purview. I strongly recommend that you take the necessary steps to ensure that every penny of every Federal dollar appropriated is well spent and accounted for. We owe it to the American taxpayers to be good agents of their hard-earned dollars. And we need to ensure that SBA's counseling and training programs are operating effectively and efficiently for the 30 million small business owners and aspiring entrepreneurs throughout the country.

I would ask unanimous consent that members have 5 legislative days to submit statements and supporting materials for the record.

Without objection, so ordered.

And if there is no further business to come before the committee, we are adjourned.

Thank you.

[Whereupon, at 11:56 a.m., the subcommittee was adjourned.]

APPENDIX

HANNIBAL "MIKE" WARE
INSPECTOR GENERAL
U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE

SUBCOMMITEE ON INVESTIGATIONS, OVERSIGHT AND REGULATIONS
COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES

July 11, 2019

INTRODUCTION

Chairwoman Chu, Ranking Member Spano, and distinguished members of the Committee, thank you for inviting me to testify before you today and for your continued support of the Office of Inspector General (OIG). In recent years, we have published two audit reports on the SCORE Association (SCORE) and a capping report on our consolidated findings of OIG reports on SBA's grant programs. SCORE is the nation's largest network of volunteer expert business mentors with more than 10,000 volunteers in 300 chapters. In FY 2019, Congress recommended that the Small Business Administration (SBA) use $11.7 million to award grants to SCORE. SCORE is administered by the Office of Entrepreneurial Education within the Office of Entrepreneurial Development (OED). OED oversees most programs and services that support small businesses' training and counseling needs. OED's programs provide aspiring and current small business owners with a variety of free business mentoring and low-cost training services. The Office of Grants Management (OGM), in collaboration with respective program offices, administers most of SBA's grant programs, including SCORE.

OIG'S ROLE

OIG was established within SBA by statute to promote economy, efficiency, and effectiveness and to deter and detect fraud, waste, abuse, and mismanagement in the Agency's programs and operations. During fiscal year (FY) 2018, OIG achieved more than $224,472,559 million in monetary recoveries and savings—an elevenfold return on investment to the taxpayers—and made 111 recommendations for improving SBA's operations and reducing fraud and unnecessary losses in the Agency's programs.

OIG audits are conducted in accordance with federal audit standards established by the Comptroller General, and other reviews generally are conducted in accordance with standards established by the Council of the Inspectors General on Integrity and Efficiency. In addition, we coordinate with the Government Accountability Office to avoid duplicating federal audits. We also establish criteria to ensure that the nonfederal auditors that OIG uses (typically, certified public accountant firms) comply with federal audit standards.

OVERSIGHT OF THE SCORE PROGAM

SCORE is an entrepreneurial development program administered by the Office of Entrepreneurship Education within OED. SCORE is the single cooperative agreement recipient for the program. Established in 1964 as a national, volunteer nonprofit organization, SCORE has been an SBA resource partner for 54 years. SCORE provides business and technical assistance to existing and emerging small business owners nationwide.

OIG's recent work includes two audit reports on SCORE, 19-12 and 17-10, as well as a capping report, 19-02, which identified systemic issues with SBA's financial and performance oversight across its multiple grant programs, including SCORE. We encountered problems with SBA's performance system of record, Entrepreneurial Development Management Information System (EDMIS), during our review of SCORE and other reviews involving programs under the purview

of OED. We found SBA's process to monitor how grant recipients spent federal funds and to assess performance of its grant programs was ineffective. Additionally, OIG recently conducted three criminal investigations for potential instances of embezzlement and whistleblower retaliation violations within the SCORE program, two of which were substantiated and are now closed. We made a total of 27 recommendations to enhance the overall management and effectiveness of SCORE, 13 of which are closed.

In the last 6 years, OIG has completed a large body of work on both OED and veterans business development programs, along with other grant programs outside the purview of this hearing, such as the State Trade Expansion Program, or STEP. Our review of SBA's oversight of SCORE is the most recent work in this program area. This body of work points to systemic issues in the Agency's grants management function. Our reviews of those programs resulted in the issuance of consolidated findings in report 19-02 at the beginning of FY 2019. SBA agreed with our four recommendations to enhance SBA's management and oversight of its grant programs. SBA plans to complete final action on two of the recommendations by September 30, 2019, and the other two by September 30, 2020.

OIG Reviews

Report 19-12, Audit of SBA's Oversight of the SCORE Association

On April 25, 2019, we published 19-12, our most recent report on an entrepreneurial development program. This audit found that program officials did not effectively oversee SCORE's use of federal funds.

Our audit objectives were to determine whether SBA has effective oversight to ensure SCORE spent federal funds in accordance with cooperative agreement requirements and measured and achieved program goals. To answer our objectives, we reviewed SCORE's FY 2017 federal award of $10.5 million and the first quarter of SCORE's $11.5 million FY 2018 award. We judgmentally selected three SCORE chapters and the National SCORE Office for review. We conducted site visits and obtained documentation from the National SCORE Office in Herndon, VA; the Washington, DC, Chapter; the New York City Chapter; and the Greater Seattle Chapter. Additionally, we interviewed personnel and obtained documentation from the Office of Entrepreneurship Education.

We found program officials need to make major improvements to ensure effective oversight of the SCORE program. Program officials did not effectively oversee SCORE's use of federal funds. SCORE commingled federal funds with unrestricted donations and used federal funds for unallowable, unallocable, and unsupported costs. We also found that SCORE inappropriately solicited donations for mentoring services, charged for publication materials that did not include the required SBA acknowledgement statement, and improperly managed funds used for cosponsored activities.

As a result, we questioned $713,986 of costs that did not adhere to the cooperative agreement requirements or were not properly supported. Also, program officials did not accurately measure or report SCORE's performance goal achievements. Further, program officials established only

one outcome-based performance measure, which limited SBA's ability to assess whether the program achieved its intended purpose.

In addition, we encountered problems with SBA's performance system of record, EDMIS. Program officials reported inaccurate performance results for the number of clients trained and mentored by SCORE in SBA's FY 2019 Congressional Budget Justification and FY 2017 Annual Performance Report. Program officials reported inaccurate performance results for number of clients trained because SCORE uploaded erroneous data to EDMIS due to an incorrect database query.

Program officials told us it was SCORE's responsibility to ensure it uploaded accurate performance data in EDMIS. Prior OIG and the Government Accountability Office reports have identified systemic issues with the performance data reported in SBA's EDMIS system.[1] These technology lapses continue to impact program management.

In addition, regarding financial accounting systems, SCORE relied on more than 300 accounting systems to track federal funds, which affected its ability to perform effective oversight. As a result, of the $2,127,876 of expense and revenue transactions tested, SCORE used $713,986 of federal funds, or nearly 34 percent, for questioned or unsupported expenses and revenue.

OIG Recommendations

We made 11 recommendations to improve SBA's oversight of SCORE's use of government funds and its reporting of performance results. Notably, we recommended that SBA implement financial oversight procedures of the SCORE program to ensure the program office enforces the cooperative agreement requirements, require that SCORE chapter leadership are trained on properly generating and using program income, and recover or remedy the unallowable and unsupported costs. SBA should also correct the inaccurate FY 2017 performance results for the SCORE program and implement procedures to prevent future reporting inaccuracies. Additionally, SBA should establish additional outcome-based program goals and measurements to assess whether the program achieved all its objectives.

Summary of Actions Taken by SBA to Close the Recommendations

Based on the documentation SBA provided to OIG demonstrating that it had implemented the recommendations, we closed 3 of the 11 recommendations prior to issuing the report. Specifically, OED implemented new compliance review procedures for SBA SCORE liaisons' annual reviews of SCORE chapters, prohibited SCORE from serving as a fiscal agent for SBA cosponsored activities, and worked with the Office of Management and Budget and SCORE to establish an additional outcome-based performance measure.

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[1] SBA OIG Report 17-10, The SCORE Association's Disaster Technical Assistance Grant (March 31, 2017); SBA OIG Report 17-09, Audit of New York Small Business Development Center's Phase 2 Disaster Technical Assistance Grant (March 31, 2017); SBA OIG Report 14-19, Improvements Needed in the SBA's Oversight of the Financial Management of the District of Columbia Small Business Development Center (September 29, 2014); and GAO-08-49, Opportunities Exist to Improve Oversight of Women's Business Centers and Coordination Among SBA Programs (November 16, 2007).

Report 17-10, The SCORE Association's Disaster Technical Assistance Grant

The other audit of SCORE that we conducted in recent years is report 17-10. We conducted this audit of the $840,000 supplemental grant that SBA awarded in FY 2013 to SCORE for disaster technical assistance to determine whether SCORE complied with grant requirements related to federal expenditures and program performance. We found that SCORE did not always comply with financial grant requirements, and we questioned costs totaling more than $391,000, or 47 percent, of SCORE's Hurricane Sandy grant. We also found that SBA exempted SCORE from submitting quarterly financial and performance reports. The audit report included 12 recommendations to address the questioned costs, improve SBA's oversight over SCORE, and require SCORE to improve internal controls over its SBA-funded grant activities for more compliant financial operations and more compliant and reliable financial and performance reporting.

OIG Recommendations

We made 12 recommendations to improve SBA's oversight of SCORE's use of government funds and its reporting of performance results. We recommended that OED recover or bring into compliance $391,846 in unallowable costs, improve its oversight over SCORE, and require SCORE to improve internal controls over its SBA-funded grant activities for more compliant financial operations and more compliant and reliable financial and performance reporting.

Summary of Actions Taken by SBA to Close the Recommendations

Regarding the $391,846 in unallowable costs, the program office provided OIG supporting documentation that showed it reviewed the $153,048 of Sandy funds that were transferred between budget cost categories and ensured OIG these costs were allowable. The program office was able to recover the remaining $238,798 (recommendations 3–8) from SCORE.

Two of the 12 recommendations remain open. Recommendation 2, "develop and implement policies and procedures to ensure (a) the reallocation of funds between budget cost categories is assessed for the percentage of increases and decreases on a quarterly basis, (b) the SCORE volunteer program uses current standards for internal controls in the Federal Government as a guide, (c) SBA personnel conduct grant closeout procedures for SCORE's disaster grants, and (d) SCORE submits copies of proposed contracts to SBA for approval before executing contracts" remains open.

Recommendation 10, "develop and implement policies and procedures to ensure (a) SCORE provides quarterly financial and performance reports as dictated in the Notice of Award, and (b) future disaster grants awarded to SCORE are issued separate from SCORE's core award to ensure the grant award is reported on separately by SCORE and monitored separately by SBA" also remains open.

SBA agreed with these recommendations and planned to implement final action by September 30, 2018. SBA developed a standard operating procedure (SOP) to govern all components of the

SCORE program. However, as of July 2019, the recommendations are still open pending the final approval of the SOP by the Administrator.

Report 19-02, Consolidated Findings of OIG Reports on SBA's Grant Programs, FYs 2014–2018

From FY 2014 to FY 2018, we issued nine reports reviewing SBA's management of its Small Business Development Centers, SCORE, State Trade Expansion Plan (OED programs), Boots 2 Business (an Office of Veterans Business Development program), and grant recipient compliance with grant requirements. Report 17-10, The SCORE Association's Disaster Technical Assistance Grant, was a part of this capping report. In those reports, we identified significant issues regarding the management of millions of dollars of federal funds allocated for small business expansion and growth, disaster assistance funding, and recovery efforts. Despite the program offices' corrective actions to address OIG's recommendations, SBA's decentralized oversight of the Agency's grant programs hampered agencywide improvements. We found systemic issues with SBA's ability to conduct financial oversight including not enforcing financial reporting requirements, cost category reimbursements exceeding budget, weak financial review procedures, and incomplete supporting financial documents. We also found the following systemic issues regarding SBA's performance oversight: inaccurate and incomplete performance data, incomplete performance documentation, failure to enforce performance reporting requirements, and performance measures lacking outcome results.

OIG Recommendations

We made four recommendations to enhance SBA's management and oversight of its grant programs. First, we recommended that SBA assess its decentralized grants management structure to ensure that it performs comprehensive oversight. Additionally, we recommended that SBA establish effective controls to enforce financial and performance reporting requirements. Further, we recommended SBA develop outcome-based measurements to assess the impact of its programs. Lastly, we recommended that SBA train its grants officers and program personnel on its established grants management oversight procedures.

Summary of Actions Taken by SBA to Close the Recommendations

All four recommendations remain open. SBA's OGM has assessed the grant management organizational structure to ensure consistent compliance and comprehensive oversight of all SBA grant programs. Officials are finalizing the results and plans to issue a report this summer. Additionally, OGM plans to issue a new SOP for grants management and implement a new grants management system to address this recommendation. The SOP is currently in its second round of clearance. OGM plans to issue it this summer. Further, OGM is still in the process of requesting approval from its internal stakeholders to move forward on its business request to implement a new grants management system. OGM told us they plan to implement the new grants management system the end of FY 2020. OGM included the training and development plans in its revised SOP, which it plans to issue this summer. It anticipates that training will begin in FY 2020, but it may take until FY 2021 for there to be a budget allocation for training activities.

OIG Investigations

Program officials did not have effective oversight to ensure SCORE established a proper control environment over financial reporting at the chapter level. In addition, SCORE did not foster an environment that promoted transparency and protected whistleblower rights under federal law. Weaknesses in SCORE's internal controls led us to conduct three criminal investigations for potential instances of embezzlement and whistleblower retaliation violations, two of which were substantiated and are now closed. In the two closed cases, chapter leadership could have easily discovered the fraud if they had performed proper oversight of award funds. Relative to the investigation involving whistleblower retaliation, OIG found that a SCORE volunteer was terminated, in part, for assisting the OIG with a criminal investigation.

It is important that SCORE personnel report suspected cases of fraud, waste, and abuse to proper authorities without reprisal. However, SCORE did not advise personnel of their protected options for disclosing evidence of fraud, waste, or abuse, which include the OIG Hotline and program officials. Instead, SCORE discouraged reporting outside of the organization, which contradicted the cooperative agreement requirements that all SCORE principals, employees, and agents report instances of fraud, waste, or abuse to SBA or the OIG Hotline. Moreover, the cooperative agreement terms and conditions contained irregular language that may have reduced the number of potential referrals of fraud, waste, and abuse to OIG by seeking to filter referrals through the program office. Federal law mandates that SBA ensure that award recipients inform their employees, which could include SCORE volunteers, of their rights and remedies to whistleblower protection when reporting fraud, waste, or abuse. Without strong whistleblower protections and clear reporting requirements, SCORE is at risk that more cases of fraud, waste, and abuse will go unreported.

GRANTS MANAGEMENT CHALLENGES

In our recently published report on the most serious management and performance challenges facing SBA in FY 2019, we identified grants management as an Agency challenge for the first time. In FY 2018, SBA administrated more than $247 million in grants and cooperative agreements to its resource partners and other nonfederal entities to provide technical assistance and training programs to develop small businesses. With recent governmentwide emphasis on grant management reform, it is SBA's responsibility to develop processes and policies to ensure that its grants programs effectively and efficiently accomplish program objectives. However, our reviews of SBA's grant programs, including entrepreneurial development programs such as SCORE, continue to identify systemic issues with SBA's accuracy of grant data for both financial and performance reporting, ineffective oversight, and inadequate SOP.

OGM officials acknowledge that there are systemic issues within its grants management processes and plan to address these issues by implementing a new grants management system, implementing policies to establish an overarching oversight function for all SBA's grants, establishing training requirements for grants officers, and focusing resources on closing out grants to comply with Grants Oversight and New Efficiency Act requirements. Further, an OGM official assessed the grant management organizational structure to ensure consistent compliance

and comprehensive oversight of all SBA grant programs and is finalizing the results, which it plans to issue this summer. It is my understanding SBA is currently updating its SOP pertaining to federal assistance, which seeks to incorporate recommendations made by my office.

CONCLUSION

In recent years OIG has produced two audit reports on SCORE as well as a capping report on SBA's grant management programs. All three reports point to systemic issues in the Agency's grants management function and deficiencies by the Agency for oversight and monitoring of federal funds. This lack of oversight and monitoring coupled with IT issues associated with the Agency's performance system of record, EDMIS, hampered SBA's ability to detect fraud, waste, and abuse in SCORE. It also led to a culture in SCORE in which whistleblowing was discouraged.

OIG's mission is to provide independent, objective oversight to improve the integrity, accountability, and performance of SBA and its programs for the benefit of the American people. Our focus is to keep SBA leadership, our congressional stakeholders, and the public currently and fully informed about the problems and deficiencies in the programs as identified through our work and to promote corrective action in fulfillment of our mission. We value our relationship with this Subcommittee, and the Committee and the Congress at large, and we look forward to working together to address identified risks and the most pressing management challenges facing SBA.

Statement of Allen Gutierrez
Associate Administrator
Office of Entrepreneurial Development
U.S. Small Business Administration

before the
House Committee on Small Business
Subcommittee on Investigations, Oversight, and Regulations

Hearing on "SBA Management and Oversight of the SCORE Program"

July 11, 2019

Statement of Allen Gutierrez
Associate Administrator
U.S. Small Business Administration

Thank you, Chairwoman Chu and Ranking Member Spano, and members of the subcommittee for inviting me to testify this morning. I look forward to working collaboratively with this committee to ensure we are providing entrepreneurs and small business owners the resources they need to start, grow, or expand their business and if necessary, recover from disaster.

I very strongly support the U.S. Small Business Administration (SBA) and its mission. I am honored to be back at the Agency - this being my second tour of duty. From 2001 to 2006, I was proud to serve in various leadership positions at SBA. Prior to being appointed to my current position, I served as the National Executive Director of the Latino Coalition, one of the nation's largest Latino advocacy groups. In my current role as the Associate Administrator for the SBA Office of Entrepreneurial Development, it is my responsibility to administer programs and initiatives that provide technical assistance, primarily counseling and training, to small business entrepreneurs seeking to achieve the American dream.

The Office of Entrepreneurial Development (OED) is SBA's technical assistance arm, overseeing SBA's primary counseling and training programs. We work hand in hand with SBA's resource partners, supporting current and aspiring small business owners. The largest of these resource partners is the Small Business Development Centers (SBDC) program. The SBDC program is administered through a cooperative agreement with institutes of higher education or state governments. There are 63 SBDC lead centers and over 900 SBDC service centers across all 50 states and U.S. Territories. The SBDCs provide counseling and training to entrepreneurs and small business owners on a variety of topics including international trade, cyber security, and how to develop and present a business plan.

Our Women's Business Centers (WBCs) are responsible for promoting the growth of women-owned businesses through training and technical assistance and by providing access to credit and capital as well as federal contracting and international trade opportunities. The SBA partners with non-profits – 501(c) entities – and provides them with a maximum grant of $150,000 to establish a WBC. There are over 100 locations. Just last month, SBA awarded a new WBC in Idaho, which previously did not have one. Unfortunately, four states currently do not have a WBC – Alaska, Mississippi, South Carolina, and West Virginia, and we are actively pursuing the best path forward to provide services to women entrepreneurs in those states. The WBCs serve a diverse group of entrepreneurs in various geographic areas, demographic populations, and economic environments. Many WBCs offer training and counseling in several languages and dialects, helping reach emerging markets with a variety of unique and innovative programs.

OED's third program is SCORE. It is a nationwide network of small business counselors composed of a cadre of nearly 11,000 business executives, who volunteer, in more than 300 chapters nationwide. SCORE is a unique federal government resource in that it utilizes expert volunteers, both working and retired, to advise small businesses, lead business seminars, and coach entrepreneurs online and in person. A valued resource partner of the SBA for more than 40

years, SCORE has helped more than 8 million businesses succeed and stay active in the local and national small business marketplace. SBA provides $11.5 million to the National SCORE Association, which then distributes this funding to their more than 300 chapters across all 50 states and U.S. Territories.

When I was first appointed as the Associate Administrator for the Office of Entrepreneurial Development by former Administrator Linda McMahon, one of my first priorities was to ensure our programs were running effectively and efficiently in order to maximize taxpayer dollars and help America's small business owners and entrepreneurs. Under my leadership, we have worked diligently to ensure our programs are reaching their full potential. Within my first year of leadership, we updated the funding opportunity announcements and cooperative agreements to reflect changes in federal rules and regulations for the three resource partners. My office is also currently drafting regulations and standard operating procedures for the Women's Business Centers and SCORE programs, a first for both resource partners.

I have also asked each of the Office of Entrepreneurial Development's program offices to identify ways to improve and streamline their workflow and administrative processes with a focus on customer service delivery. These improvements have led to increased turn-around times on the issuances of the programs' notice of awards and payments.

In addition, over the past two years, I have focused on addressing longstanding audit findings of SBA's Office of Inspector General (OIG). Working collaboratively with the OIG, my office has successfully closed 90% of these old recommendations. We anticipate closing the remaining open recommendations from that time period by the end of FY 2019.

This past year, the OIG conducted an audit of the Office of Entrepreneurial Development's oversight of the SCORE program. As part of the audit, the OIG reviewed SCORE's FY 2017 $10.5 million federal award and the first quarter of FY 2018's $11.5 million federal award. The audit had two objectives. These were to determine whether SBA has effective oversight to ensure SCORE (1) spent federal funds in accordance with the terms and conditions of the cooperative agreement and (2) measured and achieved program goals.

In April 2019, the OIG issued its report. As a result of the audit, there were a total of 11 recommendations, including the recovery or remedy of $713,986 of unallowable and unsupported costs. We were disappointed when the OIG found that we did not effectively oversee SCORE's use of federal funds. My office has continued to work collaboratively with the OIG auditors, and we have closed three and resolved eight of the recommendations.

We were deeply troubled to read the OIG's findings that SCORE has used federal and commingled funding for unallowable, unallocable, and unsupported costs, including: $101,014 of FY17 funds to increase the bonus pool for staff; $32,000 of award funds to pay for executive coaching services for its leadership; and that on more than one occasion, SCORE used federal funds to pay for alcohol. These are funds that should have been used to provide mentoring services to America's small businesses.

We take the issues raised in the OIG's audit report very seriously, and I remain committed to

making significant improvements in the oversight and monitoring of SCORE's use of government funds and its reporting of performance results. Since the OIG's issuance of its audit report, we have increased oversight of the program and are nearing the completion of SCORE's Standard Operating Procedures (SOP). We have also modified SCORE's terms and conditions to clarify the language regarding whistleblower reporting. Further, my office has developed guidance and will be providing training on federal financial management at SCORE's upcoming National Leadership Conference. Lastly, we have scheduled a financial examination of the SCORE Association for later this summer.

Chairwoman Chu and Ranking Member Spano and members of the subcommittee, I appreciate the opportunity to testify here today. We are accomplishing great things at the SBA. Our Agency remains committed to working with you in making major improvements to ensure the effective oversight of the SCORE program and that of our other resource partners so that the small businesses and entrepreneurs of America are given the resources needed to start, grow, and expand their business.

Thank you for your time, and I look forward to answering any questions you may have.

Small Business Administration's Office of Entrepreneurial Development

House Small Business Committee Questions for the Record

Hearing on "SBA Management and Oversight of SCORE"

Rep. Judy Chu to Mr. Gutierrez

1. *SCORE has indicated that it plans to centralize many of its services at the national level, like communications, and its accounting program. How will the centralization of its services impact its overall operating expenses?*
    - **SBA Response:** Based on conversations we have had with the SCORE Association, the centralization of its services at the national level will have an initial one time increase in their operating expenses. Since consolidation will improve the delivery of services to small businesses along with the Agency's ability to provide better oversight of taxpayers' dollars, the Agency is in support of SCORE's centralization of its services.

2. *What expenses does SBA plan to shift to SCORE in the coming years and why?*
    - **SBA Response:** Last year, my office transferred the responsibility of SCORE telephone lines for those SCORE Chapters that were not co-located with SBA District Offices to the SCORE Association. For many years, SBA has been paying for SCORE's telephone bills.
    - The Agency is also in the process of transitioning SCORE stand-alone leases that were paid through the SBA to the SCORE Association. Stand-alone leases are those leases for SCORE Chapters that are not co-located with an SBA District Office. Those SCORE Chapters that are co-located in District Offices are not charged rent. Per one of the Office of the Inspector General's recommendations, the Agency is now reporting in its financial statements the donated space to the SCORE Association.

3. *In your view, what should the authorization level be for SCORE over the next three years?*
    - **SBA Response:** The Administration's authorization level request for SCORE is released annually through the congressional budget justification process. For FY2020, the SBA has requested $9.5 million for SCORE.

Rep. Ross Spano to Mr. Allen Gutierrez

- *Please send a copy of SCORE Standard Operating Procedure (SOP) when it is finalized, please send copies of SOPs in place for other Entrepreneurial Development resource partners.*
    - **SBA Response:** Please see attached.

1. *Training*
    A. Who or what determines the training that is required annually for SCORE volunteers, employees, and leadership?
    - **SBA Response:** The SCORE Association is responsible for determining the required training of its volunteers, leadership, and employees. The SBA does provide policy updates and explanations on Federal regulations and SBA policies to SCORE leadership so they can incorporate that information into their training curriculum. With that said, the Office of Entrepreneurial Development (OED) attended SCORE's FY19 National Leadership Conference and provided training on program income, the use of restricted and unrestricted

funds, and whistleblower protection because these were areas the SBA determined needed additional emphasis and clarity. OED will also be joining SCORE leadership in FY 2020 at their regional leadership meetings to provide additional training on the topics covered at SCORE's National Leadership Conference and other topics (e.g., updates to Federal regulations, SBA policies and procedure updates, etc.). Though SCORE retains responsibility for training its volunteers, officers, and employees, OED will continue to provide additional training and information to SCORE on topics of special concern or emphasis as circumstances warrant.

B. *How does the SBA monitor SCORE's training requirements?*
   - **SBA Response:** In the FY 2020 Terms and Conditions, SCORE is now required to include in their reporting to the Agency training on whistleblower protection.

2. *The General Terms and Conditions of the 2019 SCORE Notice of Award state: "The SCORE Association must expend Project Funds in accordance with its approved budget. However, the SCORE Association does have the discretion to transfer Project Funds between individual cost categories provided the cumulative result of all such transfers in a given budget period does not exceed 10 percent of the SCORE Association's total approved budget. Before making any transfers that would cumulatively result in the SCORE Association exceeding this 10 percent cap, the SCORE Association must obtain approval from SBA. Failure to adhere to the approved budget or obtain the necessary prior approval will result in denial of payment by SBA. For further guidance regarding the prior approval process, see Part III(A)(13) above."*

   A. *Who or what determines the amount of funds disbursed to individual cost categories?*
      - **SBA Response:** Based on prior years' expenses as well as current year programmatic needs, the SCORE Association submits an annual budget to the Agency outlining the funds to be disbursed by individual cost categories. The Agency then reviews the SCORE Association's submission to ensure these costs are allowable, allocable, and reasonable. If there are any issues with the SCORE Association's submission, the Agency and the SCORE Association discuss until a resolution is reached. The Agency then approves the SCORE Association's budget.

   B. *Who or what defines the title of individual cost categories, are these identifiers standard among Entrepreneurial Development programs?*
      - **SBA Response:** Cost categories are standard per the 2 CFR 200 (Uniform Guidance). The cost categories are personnel, fringe, supplies, equipment, travel, contracts, and other.

3. *Under the General Terms and Conditions of the 2019 SCORE Notice of Award: "If the SCORE Association materially fail to comply with the terms and conditions of this Notice of Award, or with any requirement imposed by statute, regulation, executive order, or other source of law or policy, SBA will take whatever enforcement measures it deems appropriate to remedy that non-compliance. For further guidance regarding the enforcement measures that apply to this Award, see 2 C.F.R. §§ 200.339 – 200.342. SBA may also institute suspension or debarment proceedings against the SCORE Association as it deems necessary."*

A. *What enforcement measures are available to the SBA Office of Entrepreneurial Development to remedy non-compliance?*
   - **SBA Response:** As an initial step, the Agency may issue cure letters, place findings on financial exams, and increase reporting requirements. If the deficiency is not corrected, the Agency reserves the right to suspend or terminate per 2 CFR 200.

B. *What measures have been used to enforce compliance of the SBA Entrepreneurial Development resource partners? Please list all occurrences.*
   - **SBA Response**: Several Small Business Development Centers (SBDCs) have been placed on increased reporting requirements and have been issued findings on financial exams. Other SBDCs have lost their accreditation, which subsequently led to their termination from the SBDC program. In the Women's Business Centers (WBCs) program, the Agency has issued cure letters based on findings on financial exams. Other WBCs have been suspended or terminated and one WBC has recently been referred for debarment.

C. *What triggers suspension or debarment proceedings against grant recipients at the SBA?*
   - **SBA Response:** In accordance with 2 C.F.R. Part 180, suspension and debarment proceedings are launched when SBA receives evidence indicating that a grantee has engaged in conduct involving fraud or a lack of business integrity or business honesty or when a grantee has violated the terms of a grant agreement so seriously as to affect the integrity of an agency program. The Agency makes a referral to its Suspension and Debarment Official for a present responsibility determination. This is a drastic measure that we do not take lightly. We attempt to remedy all issues prior to taking this step as it may have a negative effect on the small business community.

4. *According to 2 CFR §200.410, Collection of unallowable costs: "Payments made for costs determined to be unallowable by either the Federal awarding agency, cognizant agency for indirect costs, or pass-through entity, either as direct or indirect costs, must be refunded (including interest) to the Federal Government in accordance with instructions from the Federal agency that determined the costs are unallowable unless Federal statute or regulation directs otherwise."*

A. *What costs has the SCORE Association agreed to pay back, and which costs have been disputed by the SCORE Association?*
   - **SBA Response:** The Agency is still in the process of working with both the Office of the Inspector General and the SCORE Association to finalize those costs.

B. *What is the repayment plan for unallowable costs that have been charged by the SCORE Association?*
   - **SBA Response**: The Agency is still in the process of working with both the Office of the Inspector General and the SCORE Association to determine the repayment plan.

C. *From which accounts will the SBA accept repayment of unallowable costs by the SCORE Association?*
   - **SBA Response**: After consultation with the Office of the Inspector General (OIG) and the Office of General Counsel (OGC), the Agency received additional information from the SCORE Association for the expenses identified by the OIG as unallowable, unallocable

and/or unreasonable. SBA analyzed this additional information and submitted the recommendations to the OIG, where they are currently under review. The Agency received repayment by the SCORE Foundation for costs that should have been paid by the SCORE Foundation (e.g., alcohol, executive coaching, and any other costs associated specifically with the SCORE Foundation). In addition, to recover other disallowed costs identified by the OIG, SBA is using an administrative offset in which SBA will adjust the funds remaining under the SCORE Association's FY 2019 grant to remedy most of the disallowed costs. The disallowed costs include questioned contracts, travel costs for SCORE volunteers, and reimbursements made out of period to SCORE volunteers. The Agency strongly considered the OIG audit findings and recommendations related to SCORE leadership's bonuses submitted for reimbursement. After consultation with OGC, OED reduced the reimbursement of SCORE senior leadership's bonuses to no more than 10% of salaries, which reduced excessive bonuses and increased consistency with SCORE Association staff bonuses. Therefore, the FY 2019 remaining grant funds that are being used to remedy the disallowed costs were originally budgeted grant funds the SCORE Association had identified for SCORE senior leadership's bonuses. The Agency anticipates a minimal residual balance of disallowed costs to remain owed, which will be collected in FY 2020 using an administrative offset. It is important to note that the SCORE Association's performance goals were not adjusted in FY 2019 and will not be adjusted in FY 2020 to compensate for any of the debt collection. Therefore, mentoring and training services to America's small businesses will not be negatively impacted.

SBA

SOP 90 84

SCORE Program

Office of Entrepreneurship Education

U.S. Small Business Administration

SMALL BUSINESS ADMINISTRATION
STANDARD OPERATING PROCEDURES

SUBJECT: SCORE Program	S.O.P.		REV
	SECTION 90	**NO.** 84	

INTRODUCTION

1. Purpose. To provide standard and uniform guidance to SBA staff in performing their administrative, programmatic and financial oversight responsibilities for the SCORE Program.
2. Personnel Concerned. All SBA employees.
3. Originator. Office of Entrepreneurship Education

AUTHORIZED BY:	**EFFECTIVE DATE** August 26, 2019
Associate Administrator, Office of Entrepreneurial Development	**PAGE** 2

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Agency Mission Statement

The U.S. Small Business Administration (SBA) was created in 1953 as an independent agency of the Federal Government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of our nation. We recognize that small business is critical to our economic recovery and strength, to building America's future, and to helping the United States compete in today's global marketplace. Since it was established in 1953, SBA has grown and evolved over the years, but our mission remains the same: SBA helps Americans start, build and grow businesses. Through an extensive network of field offices and partnerships with public and private organizations, SBA delivers its services to people throughout the United States, Puerto Rico, the U.S. Virgin Islands, and Guam.

Program Office Mission Statement

The Office of Entrepreneurship Education's (OEE) mission is to provide entrepreneurial information and education, resources and tools to help small businesses succeed. The office is an integral component of SBA's network of training and mentoring services. OEE is a sub-office under the Office of Entrepreneurial Development (OED).

Chapter 1 Introduction

A. What is the purpose of this Standard Operating Procedure (SOP)?

The purpose of this SOP is to provide standardized policies and guidance for the management, administration, and oversight of the SCORE Program. This SOP is for the use of OEE and other internal SBA stakeholders. This SOP is applicable to all OEE Grants and Cooperative Agreements awarded by the SBA to the SCORE Program.

B. What are the programmatic functions of OEE?

OEE consists of the following functional areas: administrative management, program management, grants management, and operations. The administrative management of OEE is the responsibility of the Director, who reports directly to the Associate Administrator for the Office of Entrepreneurial Development (AA/OED). OEE is responsible for the monitoring and oversight of the SCORE Program award, including compliance with the terms and conditions of the Cooperative Agreement. The Office of Grants Management (OGM) is responsible for reviewing SCORE recipient budgets and all related fiscal documentation for compliance with applicable Federal and program requirements, as well as issuing the Notice of Award (NoA). Specific functional area responsibility can be found in this chapter under the heading "Roles and Responsibilities."

C. What are some key terms used in OEE?

Cooperative Agreement or Cooperative Agreements refers to a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a Non-Federal entity, consistent with 31 U.S.C. 6302-6305.

Grant or Grants refers to a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a Non-Federal entity that, consistent with 31 U.S.C. 6302, 6304, is used to enter into a relationship the principal purpose of which is to transfer anything of value from the Federal awarding agency or pass-through entity to the Non-Federal entity to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)) and not to acquire property or services for the Federal awarding agency or pass-through entity's direct benefit or use. A Grant is distinguished from a Cooperative Agreement in that it does not provide for substantial involvement between the Federal awarding agency or pass-through entity and the Non-Federal entity in carrying out the activity contemplated by the Federal award.

Grantor refers to SBA or any Federal grant making agency acting in their position of issuing grants or cooperative agreements to eligible applicants through Federal grant making processes, per 2 CFR Part 200 and related program grant statutes.

Recipient (Non-Federal entity) refers to those organizations that have been issued a grant or cooperative agreement directly from the SBA or other Federal grant making departments.

Authorized Organizational Representative (AOR) refers to SCORE's AOR who will be designated in writing by their board or ruling body, as the person or persons with executorial authority and who is authorized to legally bind the organization, issue invoices, submit programmatic and financial reports, and amend budgets and program designs with the full force of the organization. The term AOR will be universally used throughout the SOP; however, the actual title of the entities may be a Program or Principal Investigator (PI), Program Director (PD) or other titles, but the for purposes of the SOP it will be referred to as the AOR, as defined above.

Uniform Guidance refers to 2 CFR Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

Notice of Funding Opportunity (NOFO) refers to a Notice of Funding Opportunity, which announces the availability of Federal funds in Grants.gov, in compliance with 2 CFR 200.203.

Notice of Award (NoA) refers to the instrument which certifies the Federal financial assistance that a non-Federal entity receives directly from a Federal awarding agency, setting forth the authorizing regulation, agreement number, name of SCORE, Catalog of Federal Domestic Assistance (CFDA) number, award amount, period of performance, and the terms and conditions of the award.

Application refers to the written submission by a new Applicant Organization or an existing Recipient Organization describing its projected activities for the upcoming Budget Period and requesting SBA funds for use in its operations.

Budget Period refers to the twelve-month period in which the SCORE Association incurs expenditures and provides services.

Carryover Funds refers to the unobligated portion of Federal funds from one Budget Period, approved through a Grant/Cooperative Agreement modification for use in the next Budget Period only.

Cognizant Federal Agency refers to the Federal agency from which a recipient organization receives its largest Federal grant or greatest amount of Federal funding, and from whom it obtains an Indirect Cost Rate Agreement for budgetary and funding purposes. This rate is accepted throughout the Federal Government.

Direct Cost refers to any cost that can be specifically identified with a particular project, program, or activity, or that can be directly assigned to such activities relatively easily and with a high degree of accuracy. Direct Costs include, but are not limited to, salaries, travel, equipment, and supplies directly benefiting the grant-supported project or activity per 2 CFR 200.413.

Dispute refers to a program or financial disagreement that SCORE Association has with SBA that will be handled according to the Dispute Resolution procedures set forth in 13 CFR 130.630.

Lobbying refers to a broad Federal restriction on all grantees of the Federal Government that prohibits the use of Federally appropriated funds to lobby Congress or agencies concerning certain specified Federal actions (31 USC § 1352 (also known as the Byrd Amendment)). In addition, the Office of Management and Budget's (OMB) Uniform Guidance at 2 CFR 200.450 provides that lobbying activities are generally unallowable costs and defines unallowable activities as well as the limited activities that are allowed.

System for Award Management refers to SAM, the official U.S. Government system that consolidated the capabilities of the Federal Contractor Registry/Federal Register, Online Representations Certification Application, and Excluded Parties List System.

D. What are the Roles and Responsibilities?

The roles and responsibilities of SBA staff and recipient staff involved in the grants process are as follows:

a) Denver Finance Center. The Denver Finance Center processes payments for SBA, unless a Program Office uses a third-party payment management system.

b) Director, OGM. The Director of OGM serves as SBA's senior grant officer who will develop the requisite plans, policies, procedures, and training to implement current and future grants management operations. The Director will also represent the Agency on all interagency and intra-agency grant-related policy making groups. The Director also takes on the role of the Single Audit Liaison as outlined in 2 CFR 2701.513. The Director is responsible for the overall management directly, or through first level supervisors, of the staff and contractors of the OGM.

c) Grant Officer's Technical Representative (GOTR). The GOTR works in partnership with the Grants Management Officer (GMO) and other Grants Management Specialists (GMS) during the entire life cycle of the grants process, however the responsibilities are the same for the GOTR, unless duties are split with other staff designations. The GOTR/Program Manager is responsible for the programmatic and technical aspects, as detailed in the respective program statutes, of assigned SBA applications and grants. The GOTR's responsibilities include meeting OEE's mission; developing program portions of the NOFO; to review, analyze, and consider the merit and risks posed by each eligible applicant; post-award monitoring and oversight of grants; communicating with the AOR; the review and approval of the Performance Progress Report (PPR) and SF-425, "Federal Financial Report"; reviewing and approving SF-270 and accompanying expense narrative for reasonableness, allocability, allowability, etc.; and participating in site visits (if applicable). The GOTR, GMS, and the GMO work as a team throughout the grant life cycle. There are Program Offices that have more than one GOTR and have their Program Managers perform duties similar to that of the GOTR. In addition, the GOTR analyzes

goals against outcomes, analyzes financial examination reports, analyzes annual, semi-annual, and quarterly narrative reports, and opportunities to improve the SCORE Program.

d) Recipient. SCORE is responsible and accountable for the use of the Federal funds provided and for the performance of grant activities.

e) Recipient's Authorized Organizational Representative (AOR). The AOR acts as SCORE's liaison to SBA for all matters related to the programmatic and financial management of the grant and is responsible for submitting the grant proposal to Grants.gov. The NOFO shall specify what certification shall be required from SCORE's Board of Directors or other governing body to authorize the person who shall act as the AOR.

f) Grants Management Officer (GMO). The GMO is authorized by certificate of appointment to award, amend, and terminate a Federal assistance award. The GMO has the authority to approve the financial assistance award and is the SBA official responsible for overseeing the financial and other non-programmatic aspects of the award, unless these required duties are assigned to another staff. These activities include, in partnership with other Grants Management Specialists (GMS): evaluating grant applications for administrative content and compliance with statutes, regulations, and guidelines; negotiating grants; providing consultation and technical assistance and guidance to the Technical Evaluation Panel (TEP), applicants and recipients, including interpretation of grants administration policies and provisions; and, administering/coordinating grant closeout, termination, and suspension activities.
OEE commits the funds in Oracle; the GMO obligates funds in PRISM for the expenditure of Federal funds under a grant and is responsible for any change in the funding, duration, or other terms and conditions of the NoA.

Other Specific Responsibilities of the GMO include, but are not limited to:

- Issuing Federal funds by signing the NoA;
- Directly and in partnership with other GMSs, developing, implementing and evaluating policies and procedures governing the non-programmatic aspects of grant administration;
- Reviewing and deciding on requests for any changes to the terms and conditions of the NoA; and
- Maintaining official application and grant files.

g) Grants Management Specialist (GMS). An OGM staff member who oversees the financial, business and other non-programmatic aspects of one or more grants. These activities include evaluating grant applications for administrative content and compliance with statutes, regulations, and guidelines; negotiating grants; providing consultation and technical assistance to program offices and recipients; and administering financial and other non-programmatic aspects of the grants after award.

h) Office of General Counsel (OGC). OGC provides legal clearance for all grant NOFO and NoA boilerplates. OGC also provides legal advice in support of all SBA programs and initiatives and helps minimize the Agency's legal risks and costs, reduce litigation exposure; and monitors compliance with the applicable statutes, regulations, Executive Orders (EO) and other legal requirements. OGC provides the legal support necessary to defend SBA's interest in judicial and administrative actions, and proactively represents the Agency in all legal matters that arise in the context of its financial assistance.

i) Office of Grants Management (OGM). OGM is responsible for ensuring oversight and compliance for SBA. OGM awards and administers all grants and cooperative agreements under SBA's authority and appropriations, with the exception of awards to SBDCs, portability grants, and WBCs. OGM also serves as the GOTR for congressional grants earmarked by the U.S. Congress.

j) Suspension and Debarring Official (SDO). The Debarring Official means an agency official who is authorized to impose debarment. A debarring official is the SBA Administrator or their designee. For SBA, the debarring official for financial assistance programs is the Director of the Office of Credit Risk Management (2 CFR 180.930, 2700.930).

k) Program Office (PO). OEE is the SBA office that initiates and administers the Cooperative Agreement with the SCORE Association. OEE has direct authority over all aspects of the programmatic operations. The PO is responsible for the funding recommendations that are forwarded to the SBA Administrator or her/his designee, unless statute delegates a different SBA official to which the recommendations are forwarded for approval. The PO is responsible for the oversight of their respective programs and to implement necessary corrective action, as discussed in this SOP, up to and including termination.

l) SCORE Liaison (SBA District Office). The SCORE Liaison is responsible for ensuring that SCORE Chapters are in compliance with SBA guidelines and support the oversight of SCORE Chapters with OEE.

SCORE Liaison (SBA District Office) Programmatic Responsibilities

What are the monitoring responsibilities of the SCORE Liaison?

- Coordinate and support the oversight of SCORE Chapters with OEE and submit the SCORE Liaison compliance forms.
- Encourage the SCORE LOCAL CHAPTER(S) to coordinate with other SBA programs and resource partners.
- Encourage the SCORE LOCAL CHAPTER(S) to respond to SBA priorities and special initiatives.
- Meet with the Lead SCORE LOCAL CHAPTER(S) Chair to discuss outreach activities and provide OEE updates as applicable.
- Inform SCORE LOCAL CHAPTER(S) of any potential problem areas.

- Conduct yearly on-site review monitoring of the SCORE LOCAL CHAPTER(S). Make site visits at least once a year to all service delivery locations (Site visits may be delegated to other SBA field staff). Verify that SCORE LOCAL CHAPTER(S) activities are responsive to SBA national priorities and conform to the requirements of the law, the Federal Regulations, the NOFO, and the Cooperative Agreement. See Appendix 1 for SCORE Chapter Monitoring Review template.
    - Where more than ten SCORE chapter(s) exist within the SBA District Office and on-site visits are prohibitive for all locations to be visited within a 12-month timeframe, the SBA District Director or Deputy District Director may propose alternative site visits schedules/options with OEE.
- Ensure SCORE LOCAL CHAPTER(S) locations are suitable. Client delivery locations must be readily accessible and provide adequate parking for clients. Make sure there are signs identifying the location of the SCORE LOCAL CHAPTER(S). Check to see that the SBA/SCORE LOCAL CHAPTER(S) partnership logo is prominently displayed at the front of each office. Lead SCORE LOCAL CHAPTER(S) and other SCORE LOCAL CHAPTER(S) service center locations must maintain publicly listed telephone numbers.
- Ensure that the SCORE LOCAL CHAPTER(S) is providing all services on a non-discriminatory basis and not excluding individuals from a program because of race, color, religion, sex, age, disability, or national origin. The SCORE LOCAL CHAPTER(S) must hold SCORE LOCAL CHAPTER(S)-sponsored programs in accessible locations and be responsible to reasonable accommodation requests expressed by clients. SCORE MENTOR services should also be conducted according to SCORE National Standards including client confidentiality, ethics guidelines, and customer service requirements.
- Recommend specific actions to strengthen/improve the program to OEE.

What are the Liaison's logistics responsibilities?

- Provide space information for SCORE CHAPTERS as requested by OEE or SBA's Office of Administrative Services (OSA).

What are the roles and responsibilities of SCORE volunteer leadership?

a. Regional Vice President. The Regional Vice President (RVP) is a volunteer management position, appointed by and reporting to the SCORE Vice President of Field Operations. The RVP is responsible for the management and performance of the region, included districts, and chapters consistent with SCORE's Standard Operating Manual (SOM) and in compliance with the minimum standards.

Responsibilities

- Mentor SCORE District Directors.
- Manage and administer the policies, programs and procedures authorized by the SCORE Association Board of Directors, the SCORE CEO, and

the SCORE Vice President of Field Operations.

- Implement the strategies embodied in the SCORE Strategic Plan and SCORE tactical plan.
- Work on strategies to realize the growth of SCORE within the region. The growth of SCORE encompasses multiple metrics including output, quality and outcomes.
- Assist SCORE District Directors and chapters with strategy and program implementation to meet existing and create new client demand for SCORE services.
- Review and evaluate district structure and management and key regional chapters. Assist district directors and chapter chairs with the setting of performance goals, and provide the guidance, resources and support to achieve the chapter business plan and performance goals.
- Assist districts and chapters in strategies to raise funds locally and promote chapter fiscal self-sufficiency.
- Develop and utilize effective channels of communication among the chapters and with the district office. Effective communication will improve operating methods, mentoring techniques, recruiting of volunteers, marketing, orientation, training, and fundraising and achieve continuous elevation of client service.
- Act as an experienced resource for SCORE leaders at the district and chapter level for all operational issues.
- Assist the districts/chapters, as requested, with volunteers' performance improvement.
- Identify and mentor future field leaders in SCORE.
- In coordination with SCORE Vice President of Field Operations and other SCORE RVPs, work on broad issues facing the SCORE field organization. Issues such as volunteer engagement, performance management, data analysis and client-focused growth are key organizational issues that the SCORE RVP will provide input on.

b. District Director. The district director is a volunteer management position, appointed by the SCORE Vice President of Field Operations and reporting to the RVP. The district director is responsible for the management and performance of the district and its chapters consistent with the SOM and in compliance with Minimum Standards.

Responsibilities

- Mentor chapter chairs and identify future chapter leaders.
- Manage and administer the policies, programs and procedures authorized by the SCORE Association Board of Directors, the SCORE CEO, and the SCORE Vice President of Field Operations.
- Implement the strategies embodied in the SCORE Strategic Plan.
- Conduct a SCORE On-Site Review of each chapter within the district annually to ensure chapter adherence to the SOM and Minimum Standards.
- Assist chapters with policy and program implementation and ensure

adherence to timely reporting requirements and response to all National SCORE office information requests.

- Review and evaluate the chapter business plan, assist the chapters with the setting of performance goals and provide the guidance, resources and support to achieve the chapter business plan and performance goals.
- Manage the district budget as a supplement to fundraising by chapters, and promote chapter fiscal self-sufficiency.
- Develop and utilize effective channels of communication among the chapters and with the district office.
- Review and approve or reject those volunteers that the chapter nominating committee has selected as candidates for the office of chapter chair.
- Make recommendations to the National SCORE office for the establishment and/or closing of chapters and branches to maximize market penetration.
- Initiate, develop and maintain relationships with SBA, business organizations, community organizations and the local media to heighten awareness of SCORE in the community.
- Direct legislative contacts by chapter volunteers with municipal, county, state and federally elected representatives and their field staff.
- Appoint assistant district director(s) to serve the district. Delegate responsibilities and provide mentoring to develop future SCORE leaders.

c. Assistant District Director. The assistant district director is appointed by the district director to assist in the management of the district.

Responsibilities

- Perform the duties delegated by the district director.
- Provide advice and counsel to the district director.
- Learn the duties of the district director and act in the absence of, or at the request of, the district director, and be prepared to assume the position of the district director, if appointed.

d. Chapter Chair. The chapter chair reports to the district director and is responsible for overall chapter management. The chapter chair ensures that the chapter is compliant with SCORE policies, procedures, Chapter Minimum Standards, goals and objectives. In addition, the chapter chair will work to ensure the chapter is in alignment with SCORE's mission and vision as well as agreed upon goals and objectives. The chapter chair should develop a leadership team within the chapter and delegate appropriately to both the leadership team and to committees within the chapter.

e. Chapter Vice Chair. Generally, a Vice Chair is the successor to the chapter chair and assists in the discharge of the chair duties. A chapter may have more than one Vice Chair.

Responsibilities

- Acts in place of the chair when the chair is absent or unable to serve.
- Performs other duties that are assigned by the chair.
- Assists the chair in implementation or delegation of chapter activities at the discretion of the chair.

f. The Chapter Secretary. The secretary performs the duties normally incident to that office, including the following (unless delegated elsewhere):

Responsibilities

- Keeps minutes of chapter meetings and training sessions.
- Tracks compliance on required National forms and volunteer training.
- Assists the chair in implementation or delegation of chapter activities at the discretion of the chair.

g. The Chapter Treasurer. The treasurer performs the duties in accordance with Chapter 5 – Finance incident to that office, for details, refer to the SCORE SOM.

Chapter 2 The SCORE Program

A. What is the SCORE Program?

SCORE, through its 300+ chapters and network of 10,000 volunteers serve entrepreneurs with in-person mentoring, training workshops, virtual counseling and online training. It provides business research, information and articles to online communities for veterans, women, millennial entrepreneurs, disaster recovery and minorities. SCORE has adapted its structure and services to meet the needs of the small business community in ever-changing economic conditions. SCORE offers free or low-cost advice in Spanish and other languages.

Central to SCORE's impact are its volunteers, which provide mentoring, counseling and training, offering their experience and expertise free of charge. SCORE volunteers are committed to both small business and their local communities.

B. What is the authority for the SCORE Program?

The authority for the SCORE Program is the Small Business Act, 15 USC 637 § 8(b)(1) (B, C, D, and F).

C. What is the purpose of the SCORE Program?

The purpose of SCORE is to foster vibrant small business ecosystems through mentoring and education. SCORE is a government-chartered nonprofit corporation dedicated to helping small businesses get off the ground, scale and achieve their goals through education and mentorship.

D. What is a SCORE Chapter?

A SCORE Chapter consists of volunteers that provide free mentoring and training sessions to nascent and existing small business entrepreneurs on a wide range of business topics—everything from how to write a business plan, how to arrange funding and manage cash flow, how to develop effective marketing and Web-based retailing. Individuals can access SCORE Chapters via free, ongoing face-to-face mentoring sessions or through email mentoring services.

E. What is the Relationship between SBA and the SCORE Association?

SBA funds the SCORE Program through a Cooperative Agreement. SBA is responsible for the overall program policy and oversight, while the SCORE Association has the responsibilities for implementation and management of its day-to-day operations.

F. What policy documents and guidelines apply to the SCORE Program?

The primary documents governing the SCORE Program include:

- Small Business Act (15 USC 637)
- SCORE NOFO (Issued annually)
- SCORE Cooperative Agreement (Issued annually)
- 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- 2 CFR Part 180 – Government-wide Debarment and Suspension (non-procurement)
- 13 CFR Part 146– New Restrictions on Lobbying
- 2 CFR Part 2700 – SBA's Nonprocurement Debarment and Suspension Rules
- 2 CFR Part 2701 – SBA's Implementation of 2 CFR Part 200
- SBA SOP 00 18 – The Management of Grants and Cooperative Agreements
- SBA SOP 20 12 5 – Administrative Accounting Procedures

G. Who administers the SCORE Program?

The Director for OEE has the responsibility of administering the SCORE Program. The Director/OEE recommends to the AA/OED the annual program budgets. In consultation with the AA/OED, the Director/OEE establishes funding levels in accordance with statutes, implements the provisions of the program, and ensures the exchange of information with the SCORE Association.

H. How is the SCORE Program's Funding Allocated?

The budget for SCORE is appropriated by Congress and SBA enters into a Cooperative Agreement with the SCORE Association to provide business mentoring and training services. When the SCORE Association Cooperative Agreement is executed, funding is maintained and managed for the local SCORE Chapters by the SCORE Association. The allocation method used for SCORE Chapters is based on SCORE Districts which considers both performance and need – performance and need are equally weighted.

I. Does OEE administer any disaster awards?

Yes, in the event of a disaster, OED is authorized to provide financial assistance to recipients of OEE awards for the purpose of spurring disaster recovery and growth of small business concerns located in an area for which the President has declared a major disaster.

J. How is funding allocated for disaster awards?

Projects are funded under the RISE (Recovery Improvements for Small Entities) After Disaster Act (Pub L. No. 114-88, Div. B). The RISE After Disaster awards are made under separate and independent grant or cooperative agreement funding authority distinct from that used by SBA for other awards to the SCORE Association.

K. What is the SCORE Foundation?

SCORE Foundation (Foundation) is a not-for-profit organization which was incorporated under the laws of the District of Columbia. Both the Foundation and the SCORE Association share a common Chief Executive Officer and Board of Directors, but they are separate entities. The Foundation is a publicly supported organization and, as such, contributions to the Foundation qualify as charitable deductions by the donor for income tax purposes. The Foundation's sole purpose is to ensure a legacy of business counseling and training for successful American small businesses, by supporting SCORE Association (including financially) and its volunteer corps. The Foundation is primarily supported by contributions through partnerships with the corporate community.

Chapter 3 The Notice of Funding Opportuntiy

A. What is the NOFO?

The Notice of Funding Opportunity (NOFO) contains standardized language, and a programmatic section that varies in each solicitation. OGM creates the standardized portions of the NOFO in coordination with OGC and other stakeholders. OEE develops the programmatic section for each specific grant or cooperative agreement. Programmatic sections in NOFO must contain: 1) a synopsis of the program; 2) all terms and conditions of the grant or cooperative agreement; and 3) program designs.

OEE creates the NOFO for a specific grant or cooperative agreement by adding the programmatic section to the standardized announcement language, and then routing that document through concurring parties using SBA Form 58. OGM, OGC, CFO, and OEE must concur on every NOFO, unless specified differently elsewhere. Once SBA has cleared the NOFO internally, OGM will post the NOFO on Grants.gov.

B. What type of Award Instrument does OEE use?

OEE uses a Cooperative Agreement as the legal instrument between SBA and the SCORE Association to deliver financial assistance.

Chapter 4 Application Review

A. Overview

Only the SCORE Association can apply for financial assistance in response to an OEE NOFO. SBA intends to award continuation funding to SCORE under subsequent annual SCORE Cooperative Agreements for future fiscal years, subject to continued program authorization, availability of funds, satisfactory performance, and continued interest of the SCORE Association. Since applicants are generally the same from year to year, the application review process is different from a traditional application review process.

B. What is the first step in the Application Review process?

OGM will review the SCORE Association grant application package, to ensure basic applicant eligibility and to check for completeness of the applicant package against the OGM Application Checklist (See Appendix 3). The OGM Application Checklist itemizes the required documents in the grant application submission. If required documentation is missing, it will be noted on the checklist as a deficiency within the application. At that point, SBA staff may contact the SCORE Association to request that it correct any minor deficiencies or omissions with their proposals, which are not tied to eligibility requirements. Once completed by OGM staff, the OGM Application Checklist review will become part of the OGM official grant file. The OGM Application Checklist will be standardized to apply to all Federal grants, in compliance with OMB regulations. However, SBA will have the flexibility to expand the list of required information to accommodate additional documents or certifications as required by the statute(s) of the respective programs. This checklist will be given to OEE to perform its evaluation.

C. Is there a detailed Programmatic and Assessment of Application?

OEE may also provide comments on the application and determine program policy areas that factor into an award recommendation. For example, OEE may develop program-specific factors that reflect the desirability of selecting particular projects based on geographic distribution, diverse approaches, complementary efforts, or other program factors. These desired policy areas must be specified in the NOFO to assist prospective applicants with their submission. The Program-Specific Review and Assessment, at a minimum, is based on the results of the merit review, program priorities factors, risk assessment and available funding. If there are other factors that will be considered by OEE, they should be identified in the NOFO. These comments are to be put into writing and made part of the official file.

Program-Specific areas to be reviewed and assessed by OEEs may include, but are not limited to:

- A project or group of projects which represents a diversity of technical approaches or methods;
- Efforts that are complementary and/or duplicative, which, when taken together, will best achieve the goals and objectives;

- Different kinds and sizes of organizations to provide a balanced programmatic effort and a variety of different technical perspectives;
- Projects that possess a broad or specific geographic distribution;
- The application is written in a manner that will allow OEE to monitor performance based on SBA reporting requirements;
- Based on knowledge that OEE has of the applicant, the proposed project/program is: i) reasonable in scope; ii) adequate to address existing and trending SBA program priorities; and iii) likely to succeed in achieving its goals; and
- Based on OEE's knowledge of the applicant's program, personnel and budgetary practices, and past performance, determine if the proposed expenditures are reasonable and necessary to conduct the proposed projects.

D. Is a detailed financial review of the Application performed?

A budget/cost evaluation provides OEE with an understanding of the budget estimates, allocability, allowability, cost appropriateness and reasonableness of those costs with the available resources. Importantly, the budget evaluation provides some initial insight to project-related risk, beyond those dealing with technical uncertainty, which must be considered prior to award.

The budget evaluation does not affect OEE recommendation and is not assessed using the adjectival or scoring method. The results of this evaluation shall be used by OEE as a factor in the application selection and funding process. Application proposed budgets should be evaluated based on the same standards to which recipients will be held after award, as outlined in the cost principles (2 CFR Part 200, Subpart E). The budget review/cost analysis is conducted by the OGM and OEE.

Budget/Cost Analysis to Be Considered

a. Do all elements of the application's work plan include associated budget costs and conversely, do all elements in the applicant's budget have corresponding work plan elements included in the application?

b. Are all expenses in the submitted Line Item Budget allowable, allocable, necessary and reasonable under the applicable program statute, and the respective sections of 2 CFR Part 200?

c. Have costs been properly identified as allowable, with the necessary detail in the budget narrative for its use, and not duplicative to the other budget line items?

E. What is the Federal Awardee Performance and Integrity Information System (FAPIIS)?

FAPIIS is a federal database that has been established as a government-wide source of information about the prior performance of federal contractors and grantees. Awardees that have current active federal contract, grant and cooperative agreement awards with a cumulative total value greater than $10,000,000 are required to disclose semi-annually information about criminal, civil and administrative proceedings that reached final

disposition within the most recent five-year period and that were connected with the award or the performance of the award. SBA, as are all other federal agencies, is required to check FAPIIS as part of its risk assessment under 2 CFR 200.205 prior to making an award. Every agency is also required to enter information into FAPIIS about: (1) each decision not to award a grant or cooperative agreement to an entity when the decision is made on the basis of the agency's risk assessment, and (2) information about each termination of a federal award.

Chapter 5 The Notice of Award

A. What approvals are needed to prepare the Notice of Award (NoA)?

OGM receives approval from OEE to fund an applicant. OEE also provides an Approval List (SBA Form 1223), which documents the authorization and approval of funding by the Director/OEE and the Deputy Director/OEE. OEE also enters the requisition in the accounting system, allowing the commitment of funds.

B. What information appears on the NoA?

The NoA is SBA Form 1222 and contains the following information:

- Authorization
- Grant/Cooperative Agreement Number
- Name and Address of Recipient
- Project and Budget Periods
- Award Amount
- Title of Project/Program
- Director of Project
- Approved Budget
- Administrative Regulations
- Federal Award Identifier Number (FAIN).

The NoA also includes terms and conditions that provide additional administrative or programmatic requirements. If required, other special conditions specific to the SCORE Association may be attached to the award. See Appendix 10.

C. How does SCORE receive the NoA?

SCORE's Authorized Organizational Representative (AOR), as identified in the NoA, is notified that they are a recipient of the SCORE NoA. This notification includes instructions to review the NoA and, if in agreement with the provisions of the NoA, sign and date it (SBA Form 1222) in block 23 and submit a counter-signed copy to OGM. OGM emails this notification to the AOR. If SCORE has any questions or concerns regarding the NoA, they must contact the GMO.

Chapter 6 General Financial Information

Payments

A. How will payments to the SCORE Association be made?

Payments under the SCORE Cooperative Agreement are made as an advance and/or reimbursement.

B. How must the SCORE Association request payment for their program expenses?

SCORE Association must submit all requests for payment to the GOTR using a SF-270 "Request for Advance or Reimbursement (See Appendix 13)," along with a Detailed Expenditures Worksheet with written narratives of expenses (See Appendix 14), and a Standard Form-Program Performance Report (SF-PPR) (See Appendix 15) with a narrative. The aforementioned documents may be submitted without the SF-425 (See Appendix 16) which is not due until 30 days after the end of the quarter in which the funds were received, expended, and records the funds expended, obligated, and remaining levels, in the areas of Federal funds, and program income.

C. How is the SCORE Association's payment request submitted to OEE?

The completed SF-270 and signed certification statement must be sent to OEE.

D. What happens with the SF-270 once it is received by OEE?

Upon receipt of a reimbursement request, the GOTR will review the SF-270, Detailed Expenditures Worksheet (including written narratives of expenses), and the SF-PPR for completeness and accuracy. The GOTR must ensure that: a) the level of activity and success of milestones warrants payment; b) statutory expenditure requirements are being met; and c) costs are appropriate to the budget and the NoA. The GOTR must verify the costs incurred are described in detail and must follow up with SCORE for any vague/unclear responses.

E. What is the function of the Denver Finance Center?

The Denver Finance Center processes all financial transaction requests for the Agency.

F. What is the general guidance regarding payments for the SCORE Program?

General guidance regarding payments for the SCORE Program can be found at 2 CFR Part 200.305, Subpart D and SBA SOP 20 12 5 – Administrative Accounting Procedures.

Program Income

G. What is Program Income?

Program Income is income that is earned by a recipient from activities that are supported by the Direct Costs of the award. It includes and is not limited to fees collected from Clients and/or attendees for Training.

The SCORE Association's use of program income is restricted to allowable, allocable and reasonable expenditures under the Cooperative Agreement. Relatedly, the Uniform Guidance requires grant recipients such as the SCORE Association to maintain financial management systems sufficient to adequately identify the source and application of funds for federally funded activities. In addition, the program announcement for the SCORE program specifies that program income may not be comingled with any other funds.

Prior Approvals

H. What prior approvals are necessary?

Refer to the Terms and Conditions of the current fiscal year NoA, for prior approval details (e.g., contracts). See Appendix 19.

Financial Certifications

I. What financial certifications must be provided with a Recipient's proposal Application?

Consistent with 2 CFR 200.415, financial certifications must be signed by an authorized individual at a level no lower than vice president or chief financial officer of the SCORE Association. Each applicant must complete and submit the forms listed below:

- Certification Regarding Drug-Free Workplace Requirements;
- Certification Regarding Lobbying (SBA Form 1711);
- Assurances- Non-Construction Programs (SF-424B);
- Disclosure Form (SF-LLL);
- Most recent A-133 Audit.

Carryover

J. What are Carryover Funds?

The award period is the period of time when Federal funding is available for obligation by SCORE. SCORE may charge only allowable costs incurred during the award period and any pre-award costs authorized by OEE. Recipients often seek to Carryover Funds that are unobligated into the next Budget Period. The SCORE Association does not have automatic authority to carryover Federal Funds without written request and approval of OEE and OGM.

Any Federal funding not properly obligated by SCORE within the Cooperative Agreement award period will lapse and revert to OEE for de-obligation if approval to carry over is not granted. OGM has established policies and procedures to address Carryover Funds.

Internal Controls

K. What Internal Controls must SCORE have?

SCORE must use current Federal Government standards of internal controls as a guide in SCORE's SOM. Rigorous internal controls, including detailed documentation of expenses accompanying requests for advance or reimbursement of funds, written procurement policies, and following proper close-out procedures, can dramatically reduce the risk of non-compliance with laws, regulations and award requirements.

Chapter 7 SCORE Goal Establishment Process

A. How does the SCORE Association work with its Chapters to establish SCORE Goals?

Annually, SBA assigns outcome-based goals to the SCORE Association to ensure accountability. Then the SCORE Association establishes its performance goals at the national level through a fiscal year tactical plan and once ratified by its Board of Directors coordinates their implementation through its districts. SCORE District Directors coordinate the development of chapter performance plans with SCORE Chapter Chairs. Importantly, SBA's Cooperative Agreement to implement the SCORE Program is with the SCORE Association, not its subordinate chapters. Local SCORE Chapters do not receive performance goals from SBA.

Chapter 8 Monitoring

A. What type of monitoring does the SCORE Program Manager perform?

OEE will perform both programmatic and financial monitoring. OEE will review all financial and programmatic reports on a quarterly basis. OEE will conduct a year end reconciliation of SCORE's final Federal Financial Report (FFR) (SF-425) to determine the accurate expenditures of SCORE and obtain an accurate total of unobligated funds. OEE will conduct site visits from among the low performing SCORE Chapters to determine if adequate progress is being realized in the improvement of performance. In addition, OEE will review site visit reports submitted by the District Office SCORE Liaison.

B. What type of monitoring does the SCORE Liaison (SBA District Office) perform?

The SCORE Liaison will conduct a site visit of SCORE Chapters at least twice per year. The SCORE Liaison will use the SCORE Chapter Monitoring Review found in Appendix 1.

Chapter 9 Reporting

A. What are the reporting requirements for the SCORE Program?

The SCORE Association must submit Performance and Financial Reports on a quarterly basis as required by the Cooperative Agreement Terms and Conditions. Reports are sent to OEE via email. The due dates for the SF-425 are January 31st (First Fiscal Quarter), April 30th (Second Fiscal Quarter), July 31st (Third Fiscal Quarter) and October 31st (Fourth Fiscal Quarter). If the Fourth Quarter SF-425 is the final financial report for the Period of Performance (PoP), SCORE may submit a Fourth Quarter by October 31st or submit the Fourth Quarter SF-425 as a final SF-425 on or before December 31st. If SCORE submits a SF-425 on October 31st and there remain any unliquidated obligations, it cannot be listed as final. A final SF-425 then must be submitted with all unliquidated obligations cleared by December 31st. These due dates are adjusted accordingly, when project periods vary. When this occurs, fiscal reports are due every fiscal quarter, unless stated otherwise in the Cooperative Agreement award, and the final financial report (SF-425) shall be due on or before ninety (90) days after the end of the PoP. In addition, all costs claimed under a reimbursement request must be properly documented and kept in SCORE's files. Acceptable forms of documentation include receipts, invoices, contracts, cancelled checks, employee timesheets/payrolls, etc. Refer to Chapter 10 for further information on record retention. Additional considerations for reporting are detailed below.

1) SF-PPR/Performance Report Narrative Requirements. The SF-PPR, or a form designed by SCORE which contains the same information as in the SF-PPR, must be submitted with a narrative statement that details all project accomplishments for the reporting period, including a comparison between actual accomplishments and those planned in the project goals and specific milestones as presented in SCORE's Technical Proposal. Where SCORE fails to achieve one or more of the predicted accomplishments, SCORE must explain the reason(s) for the shortfall(s) and describe the corrective action to be taken to bring project performance back into alignment with the goals/milestones and a timeframe for implementing the stated corrective action. The narrative should also include any lessons learned, best practices identified, notable success stories, and problems encountered, and steps taken to address those problems with time frames for planned corrections.

   The GOTR must ensure the SF-PPR narrative is descriptive of its activities and the GOTR must follow up with SCORE for any vague language or ambiguity before sending documents over to OGM to process payment, if he/she determines it necessary. The SF-270 cannot be processed by the GOTR without an accompanying SF-PPR. The funds being spent in the current reporting period and since the Cooperative Agreement began, are to be consistent with the level of reported spending and reimbursements being requested in the SF-270. Only expenses in an approved (and funded) budget line are eligible for payment.

Retroactive expenses for anything not in the current budget will not be approved through the SF-270 process or retroactively approved through a budget modification. Most importantly, SBA provides overhead support for SCORE; therefore, SCORE cannot use an Indirect Cost Rate (ICR) Agreement.

If program income is earned, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional cash payments and such program income status must be reported (received/expended) on the SF-425, as stipulated in their terms and conditions.

2) SF-425 Federal Financial Report. These quarterly financial reports must be submitted within 30 calendar days after the end of the reporting quarter. SF-425s which are not submitted on a timely basis may result in holding reimbursements on future SF-270s submitted after the report due date. The SF-425 only reports on funds received (on a cash basis) during the reporting period and does not include those funds that have been requested for reimbursement but have not yet been received. Any match requirement must proportionately meet the reported Federal expenditures on this report to release additional funds. Any program income reported will: a) only be expended on the program from which it was received; b) only be expended in the fiscal year in which it was received, unless stated otherwise in the Cooperative Agreement Terms and Conditions; and c) be used only for activities as specified in the program project description, related budget, and regulatory cost principles. Any program income received during the reporting period is to be reported on this form, along with the expenditures from which the program income was applied. Any recipient who fails to submit these reports in the prescribed manner, will be notified by the GOTR that they are out of compliance with their General Terms and Conditions.

3) Detailed Expenditures Worksheet. SCORE must provide detailed information regarding actual expenditures broken down by the same cost category line items identified in their approved budget using the Detailed Expenditures Worksheet (See Appendix 14). SCORE only needs to have prior approval of a budget modification if the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget (Federal + Non-Federal funds) as last approved by the Federal awarding agency. When the cumulative budget changes will exceed more than 10 percent of the total budget, those expenses shall not be approved for reimbursement and will not be paid retroactively. Only those budget changes that do not exceed the cumulative 10 percent are permitted without prior approval, as long as they are allowable, allocable, reasonable, and necessary. The 10 percent threshold is reset, once SCORE receives an approved budget modification.

   SCORE must submit any budget modification when it determines they will be exceeding the 10 percent threshold and be reminded that no retroactive approval will be permitted for expenditures on unapproved budget modifications exceeding or

expected to exceed the 10 percent threshold. For further guidance on varying from budgeted cost category amounts, refer to the NoA budget and the General Terms and Conditions of the Cooperative Agreement.

4) Program Income Report. SCORE is required to submit a semiannual program income report to SBA by the established deadline (SBA Form 2113 and required attachments).

B. What other reports are required?

1) Audit Report
The SCORE Association is required to submit annual audited financial statements to OEE no later than 150 days after the conclusion of SCORE's fiscal year. Please refer to 2 CFR Part 200, Subpart F for more information.

2) Client Service Data
The SCORE Association is required to collect and maintain records of counseling and training clients on SBA Form 641 and of Training activities on SBA Form 888 or its equivalent. The Client service information from these forms must be entered into SBA's Entrepreneurial Management Information System (EDMIS) quarterly starting in 2019.

C. Is there a penalty for late reporting?

Yes. If Recipients fail to submit timely or adequate reports, SBA may withhold funding until the required reports are submitted. OEE will notify SCORE regarding their compliance with the General Terms and Conditions of their award. Reporting dates and time frames are in the Terms and Conditions of their award.

Chapter 10 Administrative Requirements

A. What are the administrative requirements?

1. SBA Handling of Information Collection
   Information collections must comply with the Paperwork Reduction Act of 1995 and 5 CFR Part 1320.

2. SBA and Recipients Addressing Record Retention and Access
   In compliance with 2 CFR 200.333-337, the OGM and grant award recipients must retain financial and programmatic records, supporting documents, statistical records, and all other records that are required by the terms of a grant, or may reasonably be considered pertinent to a grant, for a period of three (3) years from the final SF-425 submission date. The 3-year period does not begin until a final SF-425 is received and accepted by SBA. But programmatic and/or financial reviews, audits or other investigations may extend the period, if begun within the 3-year period.

   These record retention policies apply to both paper and electronic storage of applicable information, including electronic storage of faxes, copies of paper documents, images, and other electronic media.

3. Regulatory Requirements of a Recipient's Financial Management System and Financial Capabilities to Administer Grant Funds
   SCORE must comply with 2 CFR 200.302 regarding the establishment and maintenance of a financial management system to manage Federal funds. In summary, SCORE's financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions, and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.

   Additionally, the financial management system must provide for the following: retention requirements for records (2 CFR 200.333); requests for transfer of records (2 CFR 200.334); methods for collection, transmission and storage of information (2 CFR 200.335); access to records (2 CFR 200.336); and restrictions on public access to records (2 CFR 200.337).

4. Defining an Audit and the Audit Requirements
   An audit is a systematic review or appraisal made to determine whether internal accounting and other control systems provide reasonable assurance of the following:

a. Financial operations are properly conducted;
b. Financial reports are submitted timely and accurately display fund activity;
c. The entity has complied with applicable laws, regulations, and other grant terms;
d. Resources are managed and used economically and efficiently; and
e. Desired results and objectives are being achieved effectively.

SCORE is subject to the audit requirements of OMB's Uniform Guidance Subpart F – Audit Requirements. In general, Uniform Guidance Subpart F requires a State government, local government, or non-profit organization (including institutions of higher education) that expends $750,000 or more per year under Federal grants, cooperative agreements, and all other Federal funds, to have an annual audit by a Certified Public Accountant (CPA) or a Federal, State, or local governmental internal audit organization. The audit must meet the standards specified in Generally Accepted Government Auditing Standards (GAGAS), also known as the Yellow Book. The Uniform Guidance Subpart F explains in detail the scope, frequency, and other aspects of the audit. Some highlights of Subpart F are as follows:

a. Covered organizations expending $750,000 or more per year in Federal awards are required to have an audit performed in accordance with the Uniform Guidance. However, if the awards are under one program, the organization can have either a single organization-wide audit or a program-specific audit of the single program, subject to the provisions of 2 CFR 200.507 of the Uniform Guidance. Covered organizations expending less than $750,000 in any year are exempt from these audit requirements in that year but must have their records available for review as required by Chapter 8-2, "Record Retention and Access."

b. The audit reporting package must contain the following:
   (1) Financial statements and schedule of expenditures of Federal awards;
   (2) Independent auditor's report, including an opinion on the financial statements and the schedule of expenditures of Federal awards, a report on compliance and internal control over financial reporting, and a report on compliance with requirements applicable to each major program and on internal control over such compliance requirements;
   (3) A schedule of findings and questioned costs; and
   (4) If applicable, a summary of prior audit findings and a corrective action plan.

SCORE must follow a systematic method for ensuring timely and appropriate resolution of audit findings and recommendations, whether discovered as a result of a Federal audit or a recipient-initiated audit. Recipients are allowed 30 days from the date of request to respond to the Single Audit Liaison (the Director, OGM)

concerning audit findings. The SBA Single Audit Liaison, who is responsible for issuing a management decision, must do so within six months of acceptance of the audit report by the Federal Audit Clearinghouse (FAC).

Failure to submit timely responses may result in cost disallowance or other actions by SBA. At the completion of the audit resolution process, SCORE will be notified of the Single Audit Liaison's final decision.

It is imperative that SCORE submits required audits within the time limits specified in the Uniform Guidance Subpart F. If delinquent in complying with the provisions of the Uniform Guidance, SBA may impose sanctions that may result in the loss of Federal funds. No audit costs will be allowed either as Facilities and Administrative costs or direct costs to Federal awards if the required audits have not been completed or have not been conducted in accordance with the provisions of the Uniform Guidance Subpart F. If directly charged, the respective program shall only pay the portion of the audit allocated to it.

5. Process for Collecting Disallowed Costs Resulting from Single Audit or Other Programmatic and Financial Reviews (2 CFR 200.345)
   Any funds paid to the SCORE in excess of the amount to which the entity is finally determined to be entitled under the terms of the award constitute a debt to the Federal Government. If not paid within ninety (90) calendar days after demand, the Federal awarding agency may reduce the debt by:

   a. Making an administrative offset against other requests for reimbursements;
   b. Withholding advance payments otherwise due to the Non-Federal entity; or
   c. Other action permitted by Federal statute.

   Except where otherwise provided by statute or regulation, SBA will charge interest on an overdue debt in accordance with the Federal Claims Collection Standards (31 CFR Parts 900 through 999). The date from which interest is computed is not extended by litigation or the filing of any form of appeal.

6. Ensuring Grant Compliance
   Enforcement measures should match the seriousness of the problem and should always keep government interests in mind. The designated OGM and Program Office staff persons should apply sound judgment in determining what enforcement and compliance measures are appropriate for a particular situation (e.g., a minor problem could be handled with a telephone call or email to SCORE).

This begins with SBA first notifying recipients of their deficiencies relating to the Cooperative Agreement terms, conditions, and other factors. Unresolved or difficult issues and/or questions regarding applicability of enforcement measures can and, in some cases, should be escalated to the AA/OED, the Director of the Office of Grants Management (OGM), Chief Administrative Officer (CAO), Chief Financial Officer (CFO), Office of Inspector General (OIG) or Office of General Counsel (OGC), as appropriate.

If reminders do not have the desired effect, or if there is a chronic pattern of late reports or lack of compliance with program requirements, terms and conditions, or with the submission of quarterly reports or invoice submissions, SBA may determine that it is appropriate to temporarily withhold payments until compliance is achieved and/or reports are received. If SCORE fails to materially comply with award terms and conditions, SBA may decide to take additional enforcement actions. The following includes a list of enforcement and compliance actions, indicating the compliance area and enforcement process to implement specific enforcement actions.

a. Temporarily withholding cash payment pending correction of the deficiency by SCORE;
b. Disallowing all or part of the cost of an activity or action not in compliance;
c. Imposing high-risk special award conditions, pursuant to 2 CFR 200.207, by the OGM Director and AA/OED if SCORE materially fails to comply with the terms and conditions of an award;
d. Suspension of the award, suspension of payment, or both;
e. Termination of the award; or
f. Debarment and Suspension of SCORE pursuant to 2 CFR Part 180, Subpart G – Suspension and Subpart H – Debarment).

Also, as provided in 2 CFR 200.341, in taking an enforcement action, SBA should provide SCORE with an opportunity for a hearing, appeal, or other administrative proceedings to which SCORE is entitled under any applicable statute or regulation. When it is believed that a recipient has failed to comply with one or more Cooperative Agreement Terms and Conditions such as meeting project schedule or objectives, SBA has the option of instituting a Corrective Action Plan.

Corrective Action Plans are written correspondence from SCORE to SBA that outlines the goals and objectives in the approved application; the progress thus far; those goals or milestones that are behind schedule; and the corrective action SCORE will take to continue with the Cooperative Agreement. SBA should acknowledge this

correspondence in writing and either agree to the Corrective Action Plan or provide an explanation of disagreement and an alternate plan to meet the same outcomes.

SBA's OGM, GOTR and/or OEE will collaboratively provide advice to SCORE during the development of a Corrective Action Plan and then evaluate the Plan.

All grants or cooperative agreements awarded by SBA must include project objectives, performance goals and a schedule of milestones. Recipients that refuse to accept, or are unable to adhere to, a Corrective Action Plan designed to address performance deficiencies will be subject to the enforcement action provisions outlined below.

The final determination as to the continuation of the project is the responsibility of AA/OED, in consultation with the Director of the OGM.

Suspension or Formal Withholding of Payments

Background

Suspension of payments or the temporary withholding of payments can be used when correction of identified deficiencies does not occur or when the SBA is implementing a more severe enforcement action. This step is normally taken if SCORE fails to resolve deficiencies following a formal notification email or when rapid correction is needed to protect Federal Government interests.

The imposition of a suspension of payment does not halt activities under an award and recipients may continue to incur costs during the suspension of payments, unless stipulated otherwise in the written notification. A suspension of payments may be imposed regardless of whether SCORE has submitted any pending payment requests.

The AA/OED will coordinate with the OGM Director prior to a suspension and/or formal withholding of payments to verify that all appropriate actions have been attempted and that this is an appropriate response.

SCORE must be notified of the withholding of payments in writing. Notices must be sent by email and certified mail, at a minimum (return receipt requested).

The notice must state that SBA is imposing the withholding of payments, the reason(s) why, what corrective action is necessary by SCORE to remedy the situation, and the date upon which payments will be withheld, if resolution is not achieved.

If immediate action is not necessary to protect the Federal Government interest, SBA will provide 15 days' notice, informing SCORE that, unless information is received within the 15 days establishing compliance by SCORE with the requested remedial actions, SBA will proceed with the withholding of payments.

For minor non-compliance, such as a failure to submit a report on time, the GOTR or Program Office Associate Administrator may email SCORE to remind them that a report is overdue and provide a short grace period to correct the problem. All reminders should be documented.

If specified corrective actions are not taken, more severe enforcement action, including suspension or termination of the award, may be taken.

Suspension of Award

Background

This step is taken for cases of serious non-compliance or when a recipient fails to implement their Corrective Action Plan, for example: serious risk to persons or property; noncompliance with terms and conditions, Federal, State or local laws; or other material violations of the assistance agreement.

If other enforcement mechanisms fail to bring SCORE into compliance, the AA/OED may consider suspending an award to allow a recipient time to take corrective action before making a termination decision.

If an award is suspended, all activities under an award must cease and no costs may be incurred by SCORE during the suspension.

This activity is initiated by the AA/OED in collaboration with the OGM Director, following less stringent forms of enforcement.

Process

Suspensions of an award must be documented in writing and included in the official award file. SCORE will be notified of the suspension in writing, by email and/or by certified mail, with a return receipt requested, at a minimum.

The notice must state that SBA is imposing suspension of the award, the reason(s) for the suspension, the effective date and what SCORE must do to remedy the situation. Any appeal procedures should also be explained in the suspension notice.

If immediate action is not necessary to protect the Federal Government interest, SBA should provide 15 days' notice, informing SCORE that, unless information is received within the 15 days establishing compliance by SCORE with the requested remedial actions, SBA will proceed with the suspension of the award. Normally, the suspension will remain in effect for a maximum of 60 days to allow SCORE to take corrective action.

If specified corrective actions are not taken, more severe enforcement action, including termination of the award, may be taken.

When taking any remedy for non-compliance, SBA must provide the non-Federal entity an opportunity to object and provide information and documentation challenging the suspension action, in accordance with written processes and procedures published by SBA. (2 CFR 200.341)

Costs incurred by SCORE during the suspension of the award are not allowable unless expressly allowed by the suspension notice. (2 CFR 200.342)

Termination

The grant award may be terminated in whole or in part as follows:

1. By SBA or pass-through entity, if non-Federal entity fails to comply with the terms and conditions of the grant award;
2. By SBA or pass-through entity for cause; and
3. By SBA or pass-through entity with the consent of the non-Federal entity, or unilaterally by the non-Federal entity. In the former case the two parties must agree upon the termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated. In the latter case the non-Federal entity must provide written notification to the AA/OED and the OGM Director setting forth the reasons for such termination, the effective date, and in the case of partial termination, the portion to be terminated. (2 CFR 200.339)

Termination for Material Non-Compliance

Background

This process is used if deficiencies are not corrected during the suspension period or for non-compliance. Non-compliance includes, but is not limited to:

a. violation of the terms and conditions of the award;
b. failure to perform award activities in a satisfactory manner;

c. improper management or use of award funds; or,
d. fraud, waste, abuse, mismanagement, or criminal activity.

This activity is initiated by the AA/OED, in collaboration with the OGM Director, after less severe forms of enforcement have proven unsuccessful.

Note that it is the obligation of SCORE, as required by the NoA and SCORE's own SOM, to inform SCORE employees and volunteers of their rights and remedies with respect to whistleblower protection when reporting fraud, waste, or abuse.

Process
All terminations for material non-compliance must be documented in writing in the official award file. SCORE should be notified of the termination action in writing using the same minimum requirements listed under a suspension.

The termination notice should set forth the reasons for the action and its effective date. Any appeal procedures should also be explained in the termination notice.

When taking any remedy for non-compliance, the Federal awarding agency must provide the Non-Federal entity an opportunity to object and provide information and documentation challenging the termination action, in accordance with written processes and procedures published by the Federal awarding agency. (2 CFR 200.341)

When the termination action is finalized, SCORE must refund the unexpended portion of obligated funds, less reimbursement for expenses incurred prior to termination.

It is customary to allow costs related to obligations incurred prior to the suspension or termination notice, provided that those costs would be otherwise allowable, benefited that Cooperative Agreement during the period before the date of termination, and cannot be cancelled. Costs resulting for obligations incurred by SCORE following termination of the award are not allowable unless expressly allowed by the termination notice (2 CFR 200.342).

Termination by Mutual Agreement

Background
In financial assistance, the SBA and SCORE may agree that an award should be terminated when both agree that continuing the project will not be of further benefit.

Process
These termination actions must be documented in writing in the official Award File. SBA and SCORE should agree in writing to the conditions of such termination. The AA/OED and the OGM Director should be consulted before this agreement is executed. The final determination as to the discontinuation of a project is the responsibility of the OEE Director and the AA/OED, in consultation with the Director of OGM.

When the termination action is finalized, SCORE must refund the unexpended portion of obligated funds, less reimbursement for expenses incurred prior to termination.

It is customary to allow costs related to obligations incurred prior to the termination notice, provided that those costs would be otherwise allowable and cannot be cancelled. Costs resulting from obligations incurred by SCORE following termination of the award are not allowable unless expressly allowed by the termination notice (2 CFR 200.342).

Remedies for noncompliance

If a non-Federal entity fails to comply with Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may impose additional conditions, as described in 2 CFR. 200.207 Specific conditions. If the Federal awarding agency or pass-through entity determines that noncompliance cannot be remedied by imposing additional conditions, the Federal awarding agency or pass-through entity may take one or more of the following actions, as appropriate in the circumstances:

a. Temporarily withhold cash payments pending correction of the deficiency by the non-Federal entity or more severe enforcement action by the Federal awarding agency or pass-through entity.
b. Disallow (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance.
c. Wholly or partly suspend or terminate the Federal award.
d. Initiate suspension or debarment proceedings as authorized under 2 CFR Part 180 and Federal awarding agency regulations (or in the case of a pass-through entity, recommend such a proceeding be initiated by a Federal awarding agency).
e. Withhold further Federal awards for the project or program.
f. Take other remedies that may be legally available.

Debarment and Suspension of a Recipient

Background

Pursuant to 2 CFR Parts 180 and 2700, actions that suspend or debar a recipient organization from participating in any Federal program are imposed not as punishments, but to protect the interests of the Government. The integrity or responsibility of an applicant or recipient is at issue in a suspension or debarment, and such action is imposed only in egregious circumstances (e.g., when a recipient or applicant has been indicted and/or convicted of a criminal offense).

Process

All the regulatory requirements of 2 CFR Part 180 - Debarment and Suspension (non-procurement) and 2 CFR Part 1200 must be met before a recipient organization can be debarred or suspended from participation in Federal programs. This action must be distinguished from a suspension or termination of an individual award by SBA as discussed above; however, the termination of an award will occur when a recipient is suspended or debarred per 2 CFR Part 180.

The most common basis for a suspension is an indictment for a crime. Such offenses may include fraud, antitrust violations, forgery, bribery, falsification of records, etc. In addition to an indictment, a person or organization may be suspended whenever SBA has other adequate evidence to suspect that a crime or some other serious cause that affects a person's present responsibility may have occurred. Debarment generally occurs following a conviction or civil judgment.

When a recipient has been indicted, the OEE Director, OGM Director, or whoever obtains that information, should notify the SBA Suspension & Debarring Officer (SDO) in OGC, who will assume responsibility from that point forward. The SBA shall refer all terminations for cause to the SDO for a suspension and debarment review. The SDO is the SBA Official charged with determining whether a party lacks present responsibility and is, therefore, an unacceptable business risk for the Government. The grounds for a cause termination correspond with grounds for debarment. An automatic referral shall not necessarily mean the parties will be suspended or debarred, but will ensure SBA does not merely protect itself through a termination without ensuring the whole Government gets protection.

When the statement of facts indicates irregularities may be fraudulent or criminal in nature, or for any other reason that further investigation is considered necessary, the OIG should also be notified.

7. Steps Involved in the Closeout Process
   Within ninety (90) calendar days after the expiration or termination of the Cooperative Agreement, SCORE must submit all final reimbursement requests, financial, performance, and any other reports required by the NoA. The following outlines steps in the closeout process; this includes disaster assistance grants or cooperative agreements:

   a. The OEE Director or GOTR notifies SCORE (cc: GMO) to submit final reimbursement requests (SF-270s), followed by a final SF-425 and final SF-PPR. SCORE is informed that upon reconciliation of these reports with the SBA financial system, the remaining funds will be de-obligated. OEE will also request a written confirmation from SCORE acknowledging that the final SF-270 constitutes all reimbursements to be submitted to the SBA and to confirm the amount of funds to be deobligated.

   b. After the final SF-270 is submitted to OGM, processed, and paid, the GOTR will confirm the balance of unused funds, and send an email to SCORE to confirm that all unliquidated obligations have been cleared. As stated above, SCORE prepares the final SF-425, which will support that no outstanding unliquidated obligations still exist. Furthermore, unless the statute allows carry-over and/or special conditions provide other usage of program income, all remaining unspent program income is to be forwarded to SBA. When these actions are complete and affirmed by SCORE, the GOTR prepares an SBA Form 1223 to deobligate those funds and forwards it to GMO for deobligation.

   c. Once all the aforementioned information is received, and the finances are reconciled internally between the two final fiscal reports of the SF-270 and SF-425, the GOTR reviews the reimbursement package for content and inclusion of final documents, sends final reports, written confirmation from recipient, and a signed SBA Form 1223 with the amount of funds to be de-obligated to OGM through the OGM e-payment mailbox: ogmepayments@sba.gov. This deobligation process is to be conducted by the OGM and will only take place when activities in the aforementioned paragraphs (a) and (b) have been finalized and completed, including after processing the final payment.

   d. The GMO receives final reimbursement records, program reports, a written confirmation from recipient that all reimbursements have been submitted, and a signed SBA Form 1223 with the amount of funds to be de-obligated in PRISM. The GMO reviews the completed closeout package for content, by using the OGM Closeout Checklist (Appendix 12) and verifies the unobligated balance of

award as reported by SCORE in Oracle. The GMS/GMO ensures the final reimbursement request has been paid. The GMO then files the acknowledgement email from SCORE, signed SBA Form 1223 with the amount of funds to be deobligated and the final payment/reports under "Payments/Reports" in PRISM.

e. The GMO notifies SCORE and the GOTR that final payment has been made per paragraph (b) and that remaining funds will be de-obligated (if applicable).

f. After confirming that the final payment is cleared in Oracle, the GMO prepares the SF30 Modification in PRISM for deobligation of unused funds.
g. The GMO closes the award in PRISM and files the OGM Closeout Checklist in 'Application Documents.'

Points of Contact
The points of contact named in the NoA Terms and Conditions are the key officials assigned by the SBA. OEE will monitor the SCORE Program and provide guidance and support during the entire performance period.

Chapter 11 SCORE Volunteer Membership

A. Who is eligible?

Anyone is eligible to be a SCORE volunteer. The person should have a strong desire to help people and hold the same values as SCORE. Anyone under the age of 18 must have parental consent before they can serve in SCORE.

B. What are the conditions for membership?

There is no single set of factors that make up a great SCORE volunteer. The diversity of race, gender, personality, and individual experience is what makes SCORE collectively strong.

However, these are factors to consider:

- Alignment to SCORE's "Values, Beliefs, and the Way We Act".
- Ethical conduct and good judgment.
- Interpersonal skills, motivation, passion, drive, inquisitiveness, and technological knowledge.
- Being client centric with the ability to maintain an open mind and proactively manage client relationships.
- Willingness to accept and deal with change.
- Willingness to communicate effectively, orally and in writing.
- Willingness and ability to engage in chapter activities, including leadership, committee assignments, workshops, administration and special programs.
- Commitment to follow required SCORE procedures, including the completion of all required forms.

The chapter should communicate clearly to all candidates, prior to accepting them as members, that:

- Any material developed while in SCORE, and used to further SCORE's mission and activities, belongs exclusively to the SCORE Association unless otherwise agreed to by the SCORE Association and other parties.
- Membership in SCORE is a privilege and as such, SCORE may terminate a volunteer's membership, at any time, with or without reason, cause or advance notice.
- Meet requirements in SCORE continuing education programs to continue to provide the most relevant assistance to SCORE clients.
- Maintain and record all client activity required by the chapter, district director or National SCORE office.
- Annually commit to the Ethics/SLATE tenants & comply with all of SCORE's SOM requirements.

Chapter 12 Chapter Formation and Termination

A. How are SCORE Chapters formed?

Chapters may be formed through organic recruiting in a new geography or by separation as a stand-alone unit from an existing chapter. All new chapters must submit a New Chapter Application and the application be approved by the SCORE District Director and Vice President of Field Operations, as well as the Secretary of the SCORE Board of Directors.

B. How are SCORE Chapters terminated?

The membership of a chapter shall continue until its charter is terminated either for cause or at the request of the chapter or district director. Grounds for termination include the persistent failure to meet SCORE Minimum Standards or the failure to meet the needs of the community or market area.

C. Can a SCORE Chapter voluntary terminate?

A chapter may seek voluntary termination and surrender its charter.

- If a chapter self terminates, the chapter chair shall send a written notice of the action to the district director and SCORE Vice President of Field Operations.
- The district director shall arrange for disposition of the chapter's funds, records and property.

D. What happens to assets following a termination?

A chapter that is being terminated (voluntarily or otherwise) may own or have a proprietary interest in monetary funds or property, such as equipment, furnishings, publications, leases or supplies that were obtained in the course of SCORE activities. If so, the district director is authorized and must take the following appropriate and effective measures on a timely basis:

- Secure and control the chapter's monies and property for continued SCORE use.
- Ensure assets belonging to the SBA or purchased with appropriated funds are subject to final SBA control.
- Chapter officers and volunteers shall assist in the disposition process.
- When a branch office is closed, similar action is to be taken by the chapter and/or the district director.

E. Can a SCORE Chapter be reinstated?

Reinstatement of a chapter charter may be considered upon a formal application that follows the same procedures required to form a new chapter. Note: The charter of the newly reactivated chapter may use the former chapter's number and/or name if still available, but will show a new formation date.

F. What are SCORE Chapter Branches?

A SCORE chapter may wish to extend the area it can serve by establishing a separate location or branch capable of providing most of the services of a regular SCORE chapter. These may include the ability to:

- Provide mentoring on a regular, scheduled basis.
- Schedule mentoring sessions.
- Conduct workshops.

In addition to the above requirements, the following criteria apply to chapter branches:

- The branch will have a designated volunteer manager who is responsible for coordinating branch activities and reporting.
- The chapter may establish other criteria in addition to those listed, including attendance requirements at chapter meetings as well as the branch manager's participation in chapter committees.
- Branches are urged to develop partnerships or affiliations with local economic development organizations, including chambers of commerce, Small Business Development Centers (SBDCs), Women's Business Centers (WBCs) and city, county or state sponsored organizations.
- If a branch requests to become a chapter, it shall meet all the criteria necessary for the establishment of a SCORE chapter.
- Branches may not have bank accounts. All income and expenses of the branch will be handled by the chapter.

Chapter 13 Homeland Security Presidential Directive - 12 (HSPD-12)

A. What is HSPD - 12?

HSPD-12 is a strategic initiative intended to enhance security, increase Government efficiency, reduce identity fraud, and protect personal privacy. It requires the development and implementation of a government-wide standard for secure and reliable forms of identification for Federal employees and contractors.

B. What are the requirements for the HSPD-12 Personal Identity Verification (PIV) badge process?

Standardized identity proofing and registration procedures will be required throughout the SBA, and across the Federal Government. An individual is issued a credential only after presenting two identity source documents, at least one of which is a valid Federal or State government issued picture ID.
In order to receive a PIV card, individuals must have a successfully completed Special Agency Check (SAC) on file and a National Agency Check with Written Inquiries (NACI) or higher-level investigation as required by the job description, initiated at a minimum.
Three separate individuals serving in PIV Administrative Roles (Sponsor, Registrar, and Issuer) are required in order to create a PIV card, therefore eliminating the possibility of a single corrupt official in the process from issuing a credential with a fraudulent identity or to a person not entitled to the credential.
Only appointed, trained, and certified personnel may issue a credential.

C. Who is responsible for implementation of HSPD-12 at SBA?

Office of Personnel Security which falls under the Office of the Chief Operating Officer, working in conjunction with the Office of the Human Capital Management, has the responsibility for implementing HSPD-12 in the Agency.

D. What is the current process to receive a PIV-I card?

All SCORE volunteers will receive PIV-I cards which require an FBI fingerprint check. The PIV-I cards are temporary PIV cards that meet security requirements to enable the SCORE volunteers to meet the Facility Security Officer Security requirements for building entry and security screening for daily access to the building. **PIV-I cards will only be issued to SCORE volunteers that are in a General Service Administration (GSA) Level III or IV facility**. The submission package must contain the completed SCORE Personnel information sheet, OF-306, letter from SCORE, resume, and any immigration documentation as required (if they were not born in the US). An investigation will only be warranted based upon information discovered during the FBI fingerprint and criminal check. SBA does not have to conduct full investigations on the SCORE volunteers unless the fingerprint check or criminal record indicates further investigation is required.

Chapter 14 Cosponsorship Activities

A. What is the purpose of Cosponsored activities?

SCORE may collaborate with SBA and other current SBA recipients for the purpose of co-hosting activities within the scope, without the need for a separate written agreement. SBA's logo may be used in conjunction with such co-hosted activities. However, where a proposed activity includes contributors, co-hosts, or cosponsors that are not current SBA recipients or involves undertakings that are outside the scope, the parties must work with SBA to execute a separate written cosponsorship agreement.

If one or more organizations and SBA are involved with SCORE as cosponsors of an activity, a cosponsorship agreement must be executed by the SBA, SCORE, and all other cosponsors in accordance with the SBA's Cosponsorship SOP 90 75 04 or the revised equivalent.

If any cash is to be collected, from cosponsors or participants to support the cosponsored activity, one of the cosponsors must be designated as the Fiscal Agent for that cosponsored activity. SCORE local chapters may not be designated as Fiscal Agent.

SBA has developed a compliance process to verify that all cosponsorship agreements that SBA enters into with SCORE are properly approved and adhered to.

Chapter 15 Frequently Asked Questions

A. What is SCORE?

SCORE is a nonprofit association dedicated to helping small businesses get off the ground, scale and achieve their goals through education and mentorship.

B. Who are the SCORE mentors?

They are active and retired business men and women who volunteer their experience and expertise to help continue the American free enterprise system that aided their success and service.

C. What does SCORE do?

They provide confidential face-to-face, e-mail, video, and telephone mentoring on an individual basis to persons seeking advice on getting into business, on starting a business and on solving business problems.

They also provide online training – 24/7 on their SCORE website, as well as in a wide variety of webinars, seminars, workshops, and similar classroom site wherein groups can learn from specialized or general presentations. SCORE chapters may charge a fee to cover the expenses of the training.

D. Where is SCORE located?

SCORE is organized into more than 300 chapters across the nation.

E. How can I find SCORE?

Go to the SCORE website and enter your zip code in the *Get Paired with a Mentor* box. You may also click on the *Find a SCORE Location* box.

F. How much does it cost to work with SCORE?

SCORE mentors do not charge for mentoring. They may charge a fee to cover the various costs associated with group training.

G. Why can I trust mentors?

At the beginning of their SCORE mentorship, every SCORE mentor signs an Ethics Pledge – and renews it every year thereafter. Any violation of the ethics pledge makes them subject to immediate dismissal. They are also subjected to intense training on mentoring techniques and participate in a certification program.

H. SCORE History

Year	Event
1953	Maurice du Pont Lee of Wilmington, Delaware gathered a small group and formed a consulting and advisory service for small businesses. The Small Business Act was signed into law by President Dwight D. Eisenhower. As a result, SBA was created. The Act stated the Federal Government "should aid, counsel, assist and protect the interests of small business."
1963	More than 50 independent groups across the country were providing low-cost or no-cost business counseling.
1964	SBA Administrator Eugene P. Foley officially launched SCORE as a national volunteer group with 2,000 members on 5 October, uniting independent efforts into a national force.
1970	Walter H. Channing of Detroit, Michigan, serves as the first president of SCORE.
1975	SCORE was formally incorporated into a nonprofit association.
1978	SCORE is honored for small business counseling service to 2 million Americans.

Chapter 16 Appendix

Appendix 1
Index to Forms and Reports

Form

SCORE Chapter Monitoring Review

OGM Application Checklist

A-9 Budget Detail Worksheet for 12 Month Period, Supplementary Instructions

A-10 Budget Detail Worksheet for 12 Month Period, Key Personnel List

A-11 Budget Detail Worksheet for 12 Month Period, Direct Costs

A-12 Budget Detail Worksheet for 12 Month Period, Indirect Costs

SBA Form 1223, Approval List

Standard Form 424A, Budget Information - Non-Construction Programs

SBA Form 1222, Notice of Award

OGM Payment Checklist

OGM Closeout Checklist

Standard Form 270, Request for Advance or Reimbursement

Detailed Expenditures Worksheet

Standard Form Performance Progress Report

Standard Form 425, Federal Financial Report

Acronyms

SBA Administrative Capability Questionnaire (Self Certification Form)

Procurement Approval

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Appendix 2
SCORE Chapter Monitoring Review

A few reminders before you go on a monitoring site review…

- Please use the attached form that can be found on SharePoint (https://sba123.sharepoint.com/sites/Apps/OEDReports/Pages/default.aspx) at the OED Reports Site to produce your report. Include a response to each question.

- These questions may be shared with the SCORE in advance, but the responses must reflect your own analysis/observation; the report is **not** to be completed by a SCORE volunteer.

- Before your visit, please refresh your knowledge of the following guiding documents and resources:
    - The Current Year NOFO;
    - The SCORE NoA with SBA/OEE; and
    - SCORE's annual proposal and progress reports.

- Please request that the SCORE Chapter provide performance data for the most recently completed federal fiscal year, and current federal fiscal year to date.

- When conducting your review, ensure that you take notes to support your observations.

- If the SCORE's response or lack thereof to a specific question requires follow up, please note the item and establish a due date with the SCORE at the end of the review. This allows for a continued flow of conversation and almost always makes for a more productive site visit.

- **Submit your draft report to the SCORE Program Manager within 10 days of the date of your site visit. Or the report can be submitted directly from the SharePoint OED Reports site.** Once the Program Manager concurs with the report, forward a final version to the Chapter Chair (copying the SCORE Program Manager to the correspondence).

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Appendix 3
OGM Application Checklist

Program Office	
Notice of Funding Opportunity No.	
Award Instrument (Check one of the following)	Grant _____ Cooperative Agreement _____
Recipient Name	

Directions:
Check the application package for each item below. If additional documents are required by the Notice of Funding Opportunity, include the items on the second page of this checklist.

Key
√ = Included
X = Not included
N/A = Not Applicable

- ☐ **Cost Proposal** – includes the following:
  - ☐ SF-424, Application for Federal Assistance
  - ☐ SF-424 A, Budget Information
  - ☐ SF-424 B, Assurances. **(This form requires a signature)**
  - ☐ A-9 through A-12 - Budget and Narratives
  - ☐ Match _____% ***(If match is required)***
  - ☐ Approved Indirect Cost Rate Agreement from Cognizant Agency
  - ☐ Cost Policy Statement

- ☐ **Technical Proposal** – includes the following:
  - ☐ Resumes and position descriptions for all key personnel providing services. If a position is vacant, a position description must still be provided.
  - ☐ List of Contractors/Consultants
  - ☐ Copy of Contractual/Consultant Agreements **(Over $25,000)**
  - ☐ Tax Identification Documentation issued by the Internal Revenue Service
  - ☐ Governor's letter of designation. **(If Required)**
  - ☐ CFO Certification and Completed Administrative Capability Questionnaire (ACQ)
  - ☐ Copy of Organization's most recent Single Audit Report or link to website located

- ☐ SF-LLL Disclosure of Lobbying Activities
- ☐ SF-3881, ACH Vendor/Miscellaneous Payment Enrollment Form
- ☐ SBA Form 1623 - Debarment and Suspension
- ☐ Drug-free Workplace Agreement
- ☐ Terms & Conditions filed in PRISM

OGM Application Checklist

☐ **Additional Documents Required by the Notice of Funding Opportunity** – includes the following:

- ☐ Authorization by Board of Directors or other Ruling Body for the AOR to legally bind the organization.
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____
- ☐ _____

The following designed officials hereby certify that they have carefully reviewed the application and have properly recorded the status of each document.

Printed Name, Program Office Responsible Official	**Signature**	**Date**
Printed Name, GMS	**Signature**	**Date**

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Appendix 4
A-9 Budget Detail Worksheet for 12 Month Budget Period, Supplementary Instructions (Non-Construction Programs)

1. **Personnel**

Enter in Column 1 the annual (12 months) salary rate for each key position referred to in the narrative, which will be filled for all or any part of the year by an incumbent working on the project. This rate may not be more than that paid by SCORE to other employees in comparable positions or, if SCORE has no comparable positions, the rate may not be more than that paid for such services elsewhere in the community

Enter in column the number of months the position will be filled by an incumbent working on the project

Enter in Column 3 the percent of time or effort the incumbent will devote to the project during the number of months shown in Column 2.
Enter in Column 4 the total amount required, as computed from the information shown in Columns 1 through 3 Use the following formats

Annual Salary x *(Col. 1)* $\frac{\text{No of Months } (Col\ 2)}{12}$ x Percent of Effort *(Col. 3)* = Total Amount Required *(Col 4)*

EXAMPLES:

PERSONNEL				
NAME	ANNUAL SALARY RATE	NO. MOS. BUDG.	% TIME	TOTAL AMOUNT REQUIRED
	(1)	(2)	(3)	(4)
Full-Time Employee of Institution working 60% time on project.				
John Doe	$24,000	12	60%	$14,400
Calculation	$24,000 x	$\frac{12}{12}$ x	60%	= $14,400
Summer Employee (3 months) to be paid $1.000 a month will work on project 25% of time.				
Richard Doe	$12,000	3	25%	$ 750
Calculation	$12,000	3	25%	= $ 750

2. **Fringe Benefits**
Enter in the parenthesis the fringe benefit rate applicable to each set employees, by position title, of the institutions If the fringe benefit rate is established as one rate, or there is an average due to differences in coverage, one rate may be entered; otherwise, different rates and their respective costs must be broken out In Column 4, enter the amount determined by applying the rate or rates to the total of the salaries in Column 4 to which the rate applies

3. **No Option for Salary Detail Submission**
No institutions may require that the salary rates and amounts requested for individuals not be made available to SBA reviewing consultants **All** salaries which are to be charged to an SBA grant **must** be detailed in the salary chart

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Appendix 5
A-10 Budget Detail Worksheet for 12 Month Budget Period, Key Personnel List (Non-Construction Programs)

NAME AND POSITION TITLE	ANNUAL SALARY RATE	NO. MOS. BUDG.	% TIME	FEDERAL/ NON-FEDERAL AMOUNT REQUIRED
	(1)	(2)	(3)	(4)
(Always list each employee's title, annual salary rate, no. of months within budget, percentage of time and amount to be paid from the award. There is no exception to this listing of salaries and related fringe. . If the fringe benefit rate is established as one rate for the entire organization, or there is an average rate due to differences in coverage [e.g. family size, marital status, etc.], one rate may be entered: otherwise, if different rates exist due to different coverage per classification or labor agreements, then their respective fringe costs percentages and resulting funds must be broken out.)				
TOTAL PERSONNEL				$
FRINGE BENEFITS (Rate - _____)				$
TOTAL PERSONNEL & FRINGE				$

Signature:_____ **Title:**_____ **Date:**_____

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Appendix 6
A-11 Budget Detail Worksheet for 12 Month Budget Period, Direct Costs

(Non-Construction Programs)

All Categories **MUST** be supported by narrative justification.
Please attach narrative in the applicant's submission.

If multiple items purchased under a category, provide separate costs for each item.	FEDERAL/ NON-FEDERAL AMOUNT REQUIRED
Personal Services - List all Key Personnel on page A-10 Provide all position titles proposed to be working on the grant Show the annual salary rate and the percentage of time to be devoted to the project Compensation paid for employees engaged in grant activities may not be more than that paid by SCORE to other employees in comparable positions or, if SCORE has no comparable positions, the rate may not be more than that paid for such services elsewhere in the similar organizations providing like services	$
Fringe Benefits - Fringe benefits are to be listed separately and should be based on actual known costs or an established formula Fringe benefits are for the personnel listed in Personal Services category and only for the percentage of time devoted to the project Fringe benefits on overtime hours are limited to FICA, Workman's Compensation, Unemployment Compensation, and any other fringe benefit determined by salaries and wages paid to the employee	$
Travel - Itemize travel expenses of project personnel by purpose (e g , staff to training, field interview, advisory group meeting, etc) Show the basis of computation (e g , six people to 3-day training at $X lodging, $X subsistence) Identify the location of travel, if known Indicate source of Travel Policies applied (Applicant or Federal Travel Regulations) NOTE Per diem is not allowed for local travel	$
Equipment - List non-expendable items that are to be purchased Non-expendable equipment is tangible property having a useful life of more than two years and an acquisition cost of $5,000 or more per unit (Note: Organization's own capitalization policy must be used to establish the threshold of equipment from supplies if below $5,000 threshold). Expendable items should be included either in the "Supplies" category or the "Other" category Applicants should analyze the cost benefits of purchasing versus leasing equipment, especially high cost items and those subject to rapid technical advances. Rented or leased equipment costs should be listed in the "Contractual" category Explain how the equipment is necessary for the success of the project Provide procurement method used	$
Supplies - List items by type (office supplies, postage, training materials, copying paper, and expendable equipment items costing less than $5,000, such as books, hand held tape recorders) and show the basis for computation. (Note: If the organization's capitalization policy/threshold must be used when determining equipment from supplies, when less than the usual $5,000 threshold) Generally, supplies include any materials that are expendable or consumed during the course of the project	$
Contractual (INCLUDES CONSULTANTS) - Provide contractor's company or person name and a description of the product or service to be procured by the contract and an estimate of the cost Applicants are required to promote free and open competition in awarding contracts. A separate justification must be provided for sole source contracts over $25,000 00, For each consultant enter the name, if known, service to be provided, hourly or daily fee (8-hour day), and estimated time on the project When permitted by statute, any subawards of any size, as defined by 2 C F R 200 92, shall be entered under contractual and follow all aspects of 2 C F R Part 200	$
Other - List items (e g , rent, reproduction, telephone, janitorial or security services, etc) by major type and the basis of the computation to ensure proper allocation of cost to benefiting funding source For example, provide the square footage and the cost per square foot for rent, or provide a monthly rental cost and how many months to rent Ensure that 'other' costs placed in this object class are not already paid through indirect costs.	$
TOTAL DIRECT COST	$

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Appendix 7
A-12 Budget Detail Worksheet for 12 Month Budget Period, Indirect Costs

(Non-Construction Programs)

(Costs identified as indirect cannot be duplicated in Direct Cost.)

(Rate _____%)

If the applicant has an **approved rate**, a copy of the rate approval, (a fully executed, negotiated agreement), must be attached. Indirect Costs will not be reimbursed without documentation of an approved indirect cost rate from SCORE's cognizant agency. If the applicant does not have an approved rate, one can be requested by contacting the applicant's cognizant Federal agency, which will review all documentation and approve a rate for the applicant organization, or if the applicant's accounting system permits, costs may be allocated in the direct costs categories. If an agency has an expired rate, they may enter the old rate as a placeholder, as long as the expired approved rate agreement is attached; however, no charges may be charged to the grant until a new rate is approved. Any non-federal entity (e.g. recipient or subrecipient) except State Governmental departments, agencies, bureaus, etc.; and Local Governmental departments, agencies, bureaus, etc. (unless they receive less than $35 million directly from the Federal Government); and Indian Tribe that has never had a negotiated indirect cost rate may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely, without documentation (see 2 C.F.R. § 200.68 for the definition of MTDC). As described in 2 C.F.R. § 200.403, factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. If the de minimis rate of 10% is applied to the Modified Total Direct Costs is used, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time [2 C.F.R. 200.414(f)]. The MTDC base is the total direct costs (excluding capital expenditures and other distorting items, such as subawards or subcontracts for $25,000 or more). The distribution base must also exclude participant support costs as defined in 2 C.F.R. § 200.75 Participant support costs. If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply for at any time.

	FEDERAL/ NON-FEDERAL AMOUNT REQUIRED
Overhead (Provide detailed information)	
General and Administrative (If Applicable)(Provide detailed information)	$
TOTAL INDIRECT COST	$
OTHER	
TOTAL ALLOWABLE BUDGET	$

Per 2 C.F.R. § 200.400 (g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award. See also §200.307 Program income

NOTE: All costs approved on this budget must meet the tests of necessity, reasonableness, allowability, and allocability in accordance with applicable cost principles applicable to this award. All costs charged to this project are subject to audit. Recipients are responsible to insure proper management and financial accountability of federal funds to preclude future costs disallowances. All categories must be supported by narrative justification.

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Appendix 8
SBA Form 1223, Approval List

U.S. Small Business Administration

APPROVAL LIST

DATE	LIST NUMBER
ALLOWANCE NUMBER	APPROPRIATION NUMBER
TYPE OF GRANT OR AWARD	

Pursuant to the authority vested in the Administrator, SBA and his further redelegation of authority, the following grants or awards are approved

TRANSACTION NUMBER	GRANT OR AWARD NUMBER	INSTITUTION CODE	GRANTEE OR RECIPIENT OF AWARD	PROJECT PERIOD		APPROVED FOR OBLIGATION	NO. OF PAYMENTS
				FROM	THROUGH		

APPROVAL RECOMMENDED	FUNDS AVAILABLE	APPROVED
	FINANCIAL MANAGEMENT OFFICIAL	

SBA Form 1223 (6-80)

Page _____

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Appendix 9
Standard Form 424A, Budget Information - Non-Construction Programs

BUDGET INFORMATION - Non-Construction Programs

OMB Approval No. 0348-0044

SECTION A - BUDGET SUMMARY

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1. Leave Blank	Leave Blank	$	$	$	$	$ 0.00
2.						0.00
3.						0.00
4.						0.00
5. Totals		$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

SECTION B - BUDGET CATEGORIES

6. Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY (1)	(2)	(3)	(4)	Total (5)
a. Personnel	$	$	$	$	$ 0.00
b. Fringe Benefits					0.00
c. Travel					0.00
d. Equipment					0.00
e. Supplies					0.00
f. Contractual					0.00
g. Construction					0.00
h. Other					0.00
i. Total Direct Charges *(sum of 6a-6h)*	0.00	0.00	0.00	0.00	0.00
j. Indirect Charges					0.00
k. TOTALS *(sum of 6i and 6j)*	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
7. Program Income	$	$	$	$	$ 0.00

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Previous Edition Usable

Standard Form 424A (Rev. 7-97)
Prescribed by OMB Circular A-102

SECTION C - NON-FEDERAL RESOURCES				
(a) Grant Program	(b) Applicant	(c) State	(d) Other Sources	(e) TOTALS
8.	$	$	$	$ 0.00
9.				0.00
10.				0.00
11.				0.00
12. TOTAL *(sum of lines 8-11)*	$ 0.00	$ 0.00	$ 0.00	$ 0.00

SECTION D - FORECASTED CASH NEEDS					
	Total for 1st Year	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
13. Federal	$ 0.00	$	$	$	$
14. Non-Federal	0.00				
15. TOTAL *(sum of lines 13 and 14)*	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00

SECTION E - BUDGET ESTIMATES OF FEDERAL FUNDS NEEDED FOR BALANCE OF THE PROJECT				
(a) Grant Program	FUTURE FUNDING PERIODS (Years)			
	(b) First	(c) Second	(d) Third	(e) Fourth
16.	$	$	$	$
17.				
18.				
19.				
20. TOTAL *(sum of lines 16-19)*	$ 0.00	$ 0.00	$ 0.00	$ 0.00

SECTION F - OTHER BUDGET INFORMATION	
21. Direct Charges:	22. Indirect Charges:
23. Remarks:	

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Standard Form 424A (Rev. 7-97) Page 2

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Appendix 10
SBA Form 1222, Notice of Award

OMB Approval No. 3245-0140
Expiration Date 6/30/2009

U S Small Business Administration — **NOTICE OF AWARD**

1. AUTHORIZATION (Legislation/Regulation)

2. Grant/Cooperative Agreement No.

3. RECIPIENT: (Name, Organizational Unit, Address)

4. PROJECT PERIOD (Mo./Day/Yr.) From (Mo./Day/Yr.) Through

5. BUDGET PERIOD (Mo./Day/Yr.) From (Mo./Day/Yr.) Through

6. FEDERAL CATALOG NO.

7. ADMINISTRATIVE CODES

8. TITLE OF PROJECT/PROGRAM (limit to 53 spaces)

9. AWARD AMOUNT
Amount of SBA Financial Assistance

10. DIRECTOR OF PROJECT (Program or Center Director, Coordinator or Principal Investigator)
NAME
Last First Initial
ADDRESS

11. RECOMMENDED FUTURE SUPPORT (Subject to the availability of funds and satisfactory progress of the project)

BUDGET YEAR	TOTAL DIRECT COST	BUDGET YEAR	TOTAL DIRECT COST
a.		b.	

12. Approved Budget (Excludes SBA Direct Assistance)
☐ SBA Funds Only ☐ Total project costs including all other financial participation

	Federal Share	Non-Federal Share
a. Personal Service		
b. Fringe Benefits		
c. Consultants		
d. Travel		
e. Equipment		
f. Supplies		
g. Contractual		
h. Other		
i. TOTAL DIRECT COSTS		
j. Indirect cost (Rate). () % of S & W/TADC		
k. OTHER APPL. COSTS		
l. TOTAL APPROVED BUDGET		

*Must meet all matching or cost participation requirements subject to adjustment in accordance with SBA policy

13. Remarks (Other Terms & Conditions Attached) ☐ Yes ☐ No

14. THIS AWARD IS SUBJECT TO THE FOLLOWING COST PRINCIPLES AND OMB UNIFORM ADMINISTRATIVE REQUIREMENTS :

- ☐ 2 CFR Part 220 - Cost Principles for Educational Institutions
- ☐ 2 CFR Part 225 - Cost Principles for State and Local Governments
- ☐ 2 CFR Part 230 - Cost Principles for Non-Profit Organizations
- ☐ FAR Subpart 31.2 - Principles for Determining Cost Applicable to Awards with For-Profit Organizations
- ☐ 13 C.F.R. Part 143 - Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- ☐ 2 CFR Part 215 - Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations.
- ☐ OMB Circular - A - 133 - Audits of States, Local Governments, and other Non-Profit Orgs.

15. THIS AWARD IS SUBJECT TO THE TERMS AND CONDITIONS ON THE REVERSE SIDE

16. CRS - EIN

17. COUNTY NAME

18. CONGRESSIONAL DISTRICT NO

19a. CITY CODE

b. COUNTY CODE

c. STATE CODE

d. PROGRAM CODE

BUDGET CODE	DOCUMENT NO	AMT. ACTION FIN. ASST.	TYPE OF ORGANIZATION
20a.	b.	c.	d.

21. AGENCY OFFICIAL (Signature, Name and Title)

22. DATE ISSUED (Mo./Day/Yr.)

23. RECIPIENT OFFICIAL (Signature, Name and Title)

24. DATE (Mo./Day/Yr.)

SBA FORM 1222 (6-07) Previous editions obsolete

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Appendix 11
OGM Payment Checklist

Award No.	
Recipient Name	
Period of Performance	
Request Dated	
Program Office	
Funding Opportunity Announcement No.	

Directions:
Request for payment processing shall not occur unless all of the following documents are included in the invoice package. Check the payment request supporting documentation for each item below. If additional documents are required by the Notice of Funding Opportunity, include the items on the second page of this checklist.

Key
√ = Included
X = Not included
N/A = Not Applicable

☐ **Payment Request Supporting Documentation** – includes the following:
- ☐ Approval Memo Signed by GOTR
- ☐ SF- 270, Request for Advance or Reimbursement
- ☐ Detailed Expenditures Worksheet with written narrative of expenses
- ☐ SF-PPR, Performance Progress Report
- ☐ SF- 425, Federal Financial Report
- ☐ For initial award payment, counter-signed NOA

Printed Name, GMS	Signature	Date

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Appendix 12
OGM Closeout Checklist

Award No.	
Requisition No.	
Program Office	
Recipient Name	
Recipient Address	
Project Period	**Budget Period**

	Yes	No	Date Received by GMO
Final SF-425, Federal Financial Report			
Final SF-PPR, Performance Progress Report			
Audit ($750,000 or more)			
Appeal & Settlement			
Equipment Accountability			
Final Inventory Statement			
Acknowledgement Email for De-obligation of Unused Funds (if applicable)			

	Yes	No	N/A
Check unobligated balance of award as reported by recipient and Oracle to see that it corresponds accurately.			
Counter-signed versions of all modifications			
The GMO prepares written notice to GOTR/recipient/PRISM file (prepares SF30 Modification) for de-obligation of unused funds.			
Prepare email to SCORE specifying equipment disposition option to be used by SCORE (if applicable).			
Closed in PRISM			
Closed in Oracle			

If necessary, use other Remarks for exceptions not addressed above:
Other Remarks:

_____

_____

I certify all the above actions have been completed and the file may be officially closed.

_____ _____ _____
Printed Name, GMS **Signature** **Date**

Grants De-obligation Request

Date: _____

Grantee:

Please de-obligate the remaining funds in the amount of $ _____ for award number SBAHQ- _____ under requisition/award number

THE AWARD IS NOW CLOSED IN PRISM.

ORACLE SHOWS A BALANCE REMAINING OF $ _____

_____ (Final Payment was made)

What kind of Award

_____

Name
Grants Management Officer

Appendix 13
(Paragraph 7-1) Standard Form 270, Request for Advance or Reimbursement

REQUEST FOR ADVANCE OR REIMBURSEMENT (See instructions on back)	OMB APPROVAL NO. 0348-0004	PAGE OF PAGES
	1. TYPE OF PAYMENT REQUESTED: a. "X" one or both boxes: ☐ ADVANCE ☐ REIMBURSEMENT; b. "X" the applicable box: ☐ FINAL ☐ PARTIAL	2. BASIS OF REQUEST: ☐ CASH ☐ ACCRUAL
3. FEDERAL SPONSORING AGENCY AND ORGANIZATIONAL ELEMENT TO WHICH THIS REPORT IS SUBMITTED	4. FEDERAL GRANT OR OTHER IDENTIFYING NUMBER ASSIGNED BY FEDERAL AGENCY	5. PARTIAL PAYMENT REQUEST NUMBER FOR THIS REQUEST
6. EMPLOYER IDENTIFICATION NUMBER / 7. RECIPIENT'S ACCOUNT NUMBER OR IDENTIFYING NUMBER	8. PERIOD COVERED BY THIS REQUEST: FROM (month, day, year)	TO (month, day, year)
9. RECIPIENT ORGANIZATION: Name: / Number and Street: / City, State and ZIP Code:	10. PAYEE (Where check is to be sent if different than item 9): Name: / Number and Street: / City, State and ZIP Code:	

11. COMPUTATION OF AMOUNT OF REIMBURSEMENTS/ADVANCES REQUESTED

PROGRAMS/FUNCTIONS/ACTIVITIES ⇐		(a)	(b)	(c)	TOTAL
a. Total program outlays to date (As of date)		$	$	$	$
b. Less: Cumulative program income					
c. Net program outlays (Line a minus line b)					
d. Estimated net cash outlays for advance period					
e. Total (Sum of lines c & d)					
f. Non-Federal share of amount on line e					
g. Federal share of amount on line e					
h. Federal payments previously requested					
i. Federal share now requested (Line g minus line h)					
j. Advances required by month, when requested by Federal grantor agency for use in making prescheduled advances	1st month				
	2nd month				
	3rd month				

12. ALTERNATE COMPUTATION FOR ADVANCES ONLY

a. Estimated Federal cash outlays that will be made during period covered by the advance	$
b. Less: Estimated balance of Federal cash on hand as of beginning of advance period	
c. Amount requested (Line a minus line b)	$

AUTHORIZED FOR LOCAL REPRODUCTION (Continued on Reverse) STANDARD FORM 270 (Rev. 7-97) Prescribed by OMB Circulars A-102 and A-110

13.	CERTIFICATION	
I certify that to the best of my knowledge and belief the data on the reverse are correct and that all outlays were made in accordance with the grant conditions or other agreement and that payment is due and has not been previously requested.	SIGNATURE OR AUTHORIZED CERTIFYING OFFICIAL	DATE REQUEST SUBMITTED
	TYPED OR PRINTED NAME AND TITLE	TELEPHONE (AREA CODE, NUMBER, EXTENSION)

This space for agency use

Public reporting burden for this collection of information is estimated to average 60 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0004), Washington, DC 20503.

PLEASE DO NOT RETURN YOUR COMPLETED FORM TO THE OFFICE OF MANAGEMENT AND BUDGET. SEND IT TO THE ADDRESS PROVIDED BY THE SPONSORING AGENCY.

INSTRUCTIONS

Please type or print legibly. Items 1, 3, 5, 9, 10, 11e, 11f, 11g, 11i, 12 and 13 are self-explanatory; specific instructions for other items are as follows:

Item	*Entry*
2	Indicate whether request is prepared on cash or accrued expenditure basis. All requests for advances shall be prepared on a cash basis.
4	Enter the Federal grant number, or other identifying number assigned by the Federal sponsoring agency If the advance or reimbursement is for more than one grant or other agreement, insert N/A; then, show the aggregate amounts. On a separate sheet, list each grant or agreement number and the Federal share of outlays made against the grant or agreement
6	Enter the employer identification number assigned by the U.S. Internal Revenue Service, or the FICE (institution) code if requested by the Federal agency.
7	This space is reserved for an account number or other identifying number that may be assigned by the recipient.
8	Enter the month, day, and year for the beginning and ending of the period covered in this request. If the request is for an advance or for both an advance and reimbursement, show the period that the advance will cover. If the request is for reimbursement, show the period for which the reimbursement is requested
Note:	The Federal sponsoring agencies have the option of requiring recipients to complete items 11 or 12, but not both. Item 12 should be used when only a minimum amount of information is needed to make an advance and outlay information contained in item 11 can be obtained in a timely manner from other reports.
11	The purpose of the vertical columns (a), (b), and (c) is to provide space for separate cost breakdowns when a project has been planned and budgeted by program, function, or activity. If additional columns are needed,use as many additional forms as needed and indicate page number in space provided in upper right; however, the summary totals of all programs, functions, or activities should be shown in the "total" column on the first page.
11a	Enter in "as of date," the month, day, and year of the ending of the accounting period to which this amount applies. Enter program outlays to date (net of refunds, rebates, and discounts), in the appropriate columns. For requests prepared on a cash basis, outlays are the sum of actual cash disbursements for goods and services, the amount of indirect expenses charged, the value of in- kind contributions applied, and the amount of cash advances and payments made to subcontractors and subrecipients. For requests prepared on an accrued expenditure basis, outlays are the sum of the actual cash disbursements, the amount of indirect expenses incurred, and the net increase (or decrease) in the amounts owed by the recipient for goods and other property received and for services performed by employees, contracts, subgrantees and other payees.
11b	Enter the cumulative cash income received to date, if requests are prepared on a cash basis. For requests prepared on an accrued expenditure basis, enter the cumulative income earned to date. Under either basis, enter only the amount applicable to program income that was required to be used for the project or program by the terms of the grant or other agreement.
11d	Only when making requests for advance payments, enter the total estimated amount of cash outlays that will be made during the period covered by the advance.
13	Complete the certification before submitting this request.

STANDARD FORM 270 (Rev 7-97) Back

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Appendix 14
Detailed Expenditures Worksheet

AWARD NO.: SBAHQ-_____ PERIOD COVERED: _____ through_____
SUBMIT WITH EACH SF-270 AND FINAL SF-425
(IF ADDITIONAL SPACE IS NEEDED FOR ANY CATEGORY, ATTACH SHEET.)
ONLY ACTUAL ALLOWED – NO ESTIMATED COST ALLOWED FOR EITHER FORM
(Select one block only)
ALL COSTS MUST BE IN THE APPROVED BUDGET. NO RETROACTIVE EXPENSES SHALL BE APPROVED
AWARD RECIPIENTS MAY NOT INCUR COSTS IN A NON-APPROVED COST CATEGORY.

DIRECT COST *Important: If multiple items purchased under a category, the separate costs for each item must be provided...*	*Federal*	*Non-Fed*	*In-Kind*	*Prig. Inc.*	*Total*
Personal Services - List all Key Personnel on page 3 Provide all position titles charged to the grant due to services/work on the grant Show the annual salary rate and the percentage of time actually devoted to the project Compensation paid for employees engaged in grant activities may not be more than that paid by SCORE to other employees in comparable positions or, if SCORE has no comparable positions, the rate may not be more than that paid for such services elsewhere in the similar organizations providing like services					
Fringe Benefits - Fringe benefits are to be listed separately and should be based on actual known costs or a percentage required by law (e g FICA, Medicare, etc) Fringe benefits are for the personnel listed in Personal Services category and only for the percentage of time devoted to the project Fringe benefits on overtime hours are limited to FICA, Workman's Compensation, and Unemployment Compensation					
Travel - Identify the traveler, location, purpose and computation of travel (e g , six people to 3-day training at $X lodging, $X subsistence) Indicate source of Travel Policies applied (Applicant or Federal Travel Regulations) NOTE Per diem and/or meals - not allowed for local travel					
Equipment - List non-expendable items that are to be purchased Non-expendable equipment is tangible property having a useful life of more than two years and an acquisition cost of $5,000 or more per unit (Note Organization's own capitalization policy must be used to establish the threshold of equipment from supplies if below $5,000 threshold) Expendable items should be included either in the "Supplies" category or the "Other" category Applicants should analyze the cost benefits of purchasing versus leasing equipment, especially high cost items and those subject to rapid technical advances Rented or leased equipment costs should be listed in the "Contractual" category. Explain how the equipment is necessary for the success of the project and its proper allocation due to cost benefits to grant Provide procurement method used.					
Supplies - List items by type (office supplies, postage, training materials, copying paper, and expendable equipment items costing less than $5,000, such as books, hand held tape recorders) and show the basis for computation Generally, supplies include any materials that are expendable or consumed during the course of the project. (Note Organization's own capitalization threshold must be used to establish the threshold of equipment from supplies if below $5,000 threshold).					

Contractual - (INCLUDES CONSULTANTS) - Indicate written Procurement Policy are followed and compliant with multiple citations within 2 C F R 200 Provide contractor's company or person name and a description of the product or service to be procured by the contract and an estimate of the cost Applicants are required to promote free and open competition in awarding contracts. A separate justification must be provided for sole source contracts over $25,000.00, For each consultant enter the name, service provided, hourly or daily fee (8-hour day), and time charged to the project or goods produced When permitted by statute, any subawards of any size, as defined by 2 C F R 200 92, shall be entered under contractual and follow all aspects of 2 C F R 200					
Other - List items (e.g , rent, reproduction, telephone, janitorial or security services, etc) by major type and the basis of the computation For example, provide the square footage and the cost per square foot for rent, or provide a monthly rental cost and how many months to rent Ensure that 'other' costs placed in this object class are not already paid through indirect costs					
TOTAL DIRECT COST					

- 2 -

INDIRECT COST (Rate %)					
Overhead (Give detailed information. Note: Must be consistent with approved budget.)					
General and Administrative (Give detailed information. Note: Must be consistent with approved budget.)					
TOTAL INDIRECT COST					
TOTAL EXPENDITURES					

NOTE: All categories must be supported by narrative justification All charges to Indirect Costs shall be supported by an approved indirect cost rate agreement If additional space is required, attach separate sheet This form must also be submitted with the final SF-426, Financial Status Report (SF-425) at the end of each budget year indicating the cumulative actual expenditures Any non-Federal entity that has never received a negotiated indirect cost rate, except for those non-Federal entities described in Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals, paragraph D 1 b, may elect to charge a de minimis rate of 10% of modified total direct costs (MTDC) which may be used indefinitely. As described in §200.403 Factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both If chosen, this methodology once elected must be used consistently for all Federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time

Per 2 C F R § 200 400 (g) The non-Federal entity may not earn or keep any profit resulting from Federal financial assistance, unless explicitly authorized by the terms and conditions of the Federal award See also §200 307 Program income

NOTE. All costs approved on this budget must meet the tests of necessity, reasonableness, allowability, and allocability in accordance with applicable cost principles applicable to this award, as specified throughout 2 C F R 200 All costs charged to this project are subject to audit Recipients are responsible to insure proper management and financial accountability of federal funds to preclude future costs disallowances All categories must be supported by narrative justification

SUPPLEMENTARY INSTRUCTIONS
FOR COMPLETING THE PERSONAL SERVICES PAGE OF THIS WORKSHEET

1. **Personnel**
Enter in Column 1 the annual (12 months) salary rate for each key position referred to in the narrative, which will be filled for all or any part of the year by an incumbent working on the project This rate may not be more than that paid by SCORE to other employees in comparable positions or, if SCORE has no comparable positions, the rate may not be more than that paid for such services elsewhere in the community. All entries must be able to be supported by the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award or non-federal funding source. Salaries and wages of employees used in meeting cost sharing or matching requirements on Federal awards must be supported in the same manner as salaries and wages claimed for reimbursement from Federal awards.

Enter in column the number of months the position will be filled by an incumbent working on the project

Enter in Column 3 the percent of time or effort the incumbent will devote to the project during the number of months shown in Column 2
Enter in Column 4 the total amount required, as computed from the information shown in Columns 1 through 3 Use the following formats

Annual Salary x *(Col. 1)* $\frac{\text{No. of Months } (Col.\ 2)}{12}$ x Percent of Effort *(Col. 3)* = Total Amount Required *(Col 4)*

EXAMPLES:

PERSONNEL				
NAME	ANNUAL SALARY RATE	NO. MOS BUDG	% TIME	TOTAL AMOUNT REQUIRED
	(1)	(2)	(3)	(4)
Full-Time employee of institution working 60% time on project. ----------John Doe, Secretary Calculation	$24,000	3 ***(no. of mos. reflected here should be same as period covering this request)***	60%	$3,600

2. **Fringe Benefits**
Enter in the parenthesis the fringe benefit rate applicable to employees of the organization Fringe benefits are to be listed separately and should be based on actual known costs or an established formula Fringe benefits are for the personnel listed in Personal Services category and only for the percentage of time devoted to the project In Column 4, enter the amount determined by applying the rate to the total of the salaries in Column 4 to which the rate applies.

3. **No Option for Salary Detail Submission**
All salary rates and amounts requested for individuals must be made available to SBA review

Supplement to Detailed Actual Expenditure for Reporting Period
Personal Services

NAME AND POSITION TITLE	ANNUAL SALARY RATE	NUM. OF MONTHS BUDGETED	% TIME	TOTAL FEDERAL & NON-FEDERAL AMOUNT REQUIRED
	(1)	(2)	(3)	(4)
(Always list each employee's position, title, annual salary rate (based on FTE), number of months worked within reporting period, percentage of time worked and amount to be paid from the approved budget.)				
FRINGE BENEFITS (Rate %_____)				
	CATEGORY TITLE			

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Appendix 15
Standard Form Performance Progress Report

PERFORMANCE PROGRESS REPORT
SF-PPR

			Page ___ of ___ Pages
1.Federal Agency and Organization Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned by Federal Agency		3a. DUNS Number 3b. EIN
4. Recipient Organization (Name and complete address including zip code)			5. Recipient Identifying Number or Account Number
6. Project/Grant Period Start Date: *(Month, Day, Year)*	End Date: *(Month, Day, Year)*	7. Reporting Period End Date *(Month, Day, Year)*	8. Final Report? ☐ Yes ☐ No 9. Report Frequency ☐ *annual* ☐ *semi-annual* ☐ *quarterly* ☐ *other* *(If other, describe:* _____ *)*
10. Performance Narrative *(attach performance narrative as instructed by the awarding Federal Agency)*			
11. Other Attachments *(attach other documents as needed or as instructed by the awarding Federal Agency)*			
12. Certification: I certify to the best of my knowledge and belief that this report is correct and complete for performance of activities for the purposes set forth in the award documents.			
12a. Typed or Printed Name and Title of Authorized Certifying Official			12c. Telephone *(area code, number and extension)* 12d. Email Address
12b. Signature of Authorized Certifying Official			12e. Date Report Submitted *(Month, Day, Year)* 13. Agency use only

PPR, Page 1

OMB Approval Number: 0970-0334
Expiration Date: 6/30/2009

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Appendix 16
Standard Form 425, Federal Financial Report

FEDERAL FINANCIAL REPORT

(Follow form instructions)

1. Federal Agency and Organizational Element to Which Report is Submitted	2. Federal Grant or Other Identifying Number Assigned by Federal Agency (To report multiple grants, use FFR Attachment)	Page 1	of pages
3. Recipient Organization (Name and complete address including Zip code)			
4a. DUNS Number / 4b. EIN	5. Recipient Account Number or Identifying Number (To report multiple grants, use FFR Attachment)	6. Report Type ☐ Quarterly ☐ Semi-Annual ☐ Annual ☐ Final	7. Basis of Accounting ☐ Cash ☐ Accrual
8. Project/Grant Period From: (Month, Day, Year)	To: (Month, Day, Year)	9. Reporting Period End Date (Month, Day, Year)	

10. Transactions	Cumulative
(Use lines a-c for single or multiple grant reporting)	
Federal Cash (To report multiple grants, also use FFR Attachment):	
a. Cash Receipts	
b. Cash Disbursements	
c. Cash on Hand (line a minus b)	
(Use lines d-o for single grant reporting)	
Federal Expenditures and Unobligated Balance:	
d. Total Federal funds authorized	
e. Federal share of expenditures	
f. Federal share of unliquidated obligations	
g. Total Federal share (sum of lines e and f)	
h. Unobligated balance of Federal funds (line d minus g)	
Recipient Share:	
i. Total recipient share required	
j. Recipient share of expenditures	
k. Remaining recipient share to be provided (line i minus j)	
Program Income:	
l. Total Federal program income earned	
m. Program income expended in accordance with the deduction alternative	
n. Program income expended in accordance with the addition alternative	
o. Unexpended program income (line l minus line m or line n)	

	a. Type	b. Rate	c. Period From	Period To	d. Base	e. Amount Charged	f. Federal Share
11. Indirect Expense							
				g. Totals			

12. *Remarks: Attach any explanations deemed necessary or information required by Federal sponsoring agency in compliance with governing legislation:*

13. Certification: By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and intent set forth in the award documents. I am aware that any false, fictitious, or fraudulent information may subject me to criminal, civil, or administrative penalties. (U.S. Code, Title 18, Section 1001)

a. Typed or Printed Name and Title of Authorized Certifying Official	c. Telephone (Area code, number and extension)
	d. Email address
b. Signature of Authorized Certifying Official	e. Date Report Submitted (Month, Day, Year)
	14. Agency use only

Standard Form 425 - Revised 6-28-2010
OMB Approval Number: 0348-0061
Expiration Date: 10/31/2011

Paperwork Burden Statement
According to the Paperwork Reduction Act, as amended, no persons are required to respond to a collection of information unless it displays a valid OMB Control Number. The valid OMB control number for this information collection is 0348-0061. Public reporting burden for this collection of information is estimated to average 1.5 hours per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the Office of Management and Budget, Paperwork Reduction Project (0348-0061), Washington, DC 20503.

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Appendix 17
Acronyms

Acronym	Full Language of Acronym
AOR	Authorized Organizational Representative
CFR	Code of Federal Regulations
CFDA	Catalog of Federal Domestic Assistance
DUNS	Data Universal Numbering System
SF-425	Federal Financial Report
GMO	Grants Management Officer
GMS	Grants Management Specialist
GOTR	Grant Officer's Technical Representative
NoA	Notice of Award
OGC	Office of General Counsel
OGM	Office of Grant Management
OMB	Office of Management and Budget
NOFO	Notice of Funding Opportunity
SF-270	Request for Advance & Reimbursement
SAM	System for Award Management
SBA	Small Business Administration
SDO	Suspension and Debarring Official
SF	Standard Form
SF-PPR	Standard Form Performance Progress Report
SOP	Standard Operating Procedure
U.S.	United States
USC	United States Code

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Appendix 18
SBA Administrative Capability Questionnaire (Self Certification Form) For State and Local Governments and Non-Profit Organizations

OVERVIEW
States, local governments, and non-profit organizations that receive Small Business Administration (SBA) financial assistance funds are subject to the administrative and financial standards set forth in the relevant Code of Federal Regulation (CFR) sections and Office of Management and Budget (OMB) Circulars. The CFR sections and OMB Circulars that apply specifically to State, local government, and non-profit organization recipients of Federal grant funds are 2 CFR 200.302 and 2 CFR 200.500-520, Subpart F.

PURPOSE
The purpose of this questionnaire is to provide States, local governments, and non-profit organizations seeking SBA grant funds with a tool to assess their ability to successfully manage Federal grant funds against administrative and financial standards. If an organization's policies and procedures do not fully comply with the requirements in the questionnaire, then the organization may need revised or new policies in order to comply with Federal financial management standards.

SUBMISSION INSTRUCTIONS
Complete and sign the questionnaire and include it as part of the organization's application for SBA grant funds.

PART I – Contact Information		
1.	Legal name of your organization associated with the Dun and Bradstreet Data Universal Numbering System (DUNS) Number	
2.	DUNS Number	
3.	Address associated with your DUNS Number	
4.	Employer Identification Number (EIN)	
5.	Congressional District	
6.	Organization Phone Number	
7.	If applicable, please list any affiliated organizations that may influence actions related to the grant	
8.	Name of the primary application point of contact (POC) for the grant(s)	
9.	POC Phone Number	
10.	POC E-mail Address	

PART II – General Information and Assurances		
1.	Is your organization in compliance with applicable Anti-Lobbying Policies included in Lobbying Form GG and, if applicable, the SF-LLL Disclosure of Lobbying Activities?	
2.	Have any key personnel listed in the application for your organization been debarred or suspended from participation in Federal assistance programs?	
3.	Does your organization have any findings related to violations of the Civil Rights Act, Age Discrimination Act, Americans with Disabilities Act, and other civil rights laws?	
4.	Does your organization maintain a Drug-Free Workplace per the SBA Financial Assistance Agreement General Provisions and Assurances?	

PART III – Audit History		
1.	Is your accounting system accrual based or cash based?	
2.	Is your accounting system manual, automated, or a combination?	
3.	Has an audit been performed on the organization's financial statement?	
4.	What was the audit opinion?	
5.	If your organization has expended more than $750,000 in Federal grant funds within the last year, has Single Audit been performed?	
6.	If yes, were there any major findings?	
7.	In no, please explain why an audit was not performed.	
8.	If your organization was subject to any other audits in the last two years (e.g., Office of Inspector General (OIG), Programmatic, or State) please describe whether or not there were audit findings.	

PART IV – Administrative Capability			
Instructions: Check the appropriate box to the right for each item. If your organization meets the requirement, check the box in the "Yes" column. If your organization does not meet the requirement described, check the box in the "No/Explain" column. If applicable, provide explanations in the "No/Explain" column or in an attachment.		**Yes**	**No/Explain**
Financial Management			
1.	Does your organization provide procedures for determining the reasonableness, allocability and allowability of costs in accordance with the applicable cost principles?		
2.	Does your organization provide for effective control and accountability for all grant cash, real and personal property, and other assets (2 C.F.R. § 200.302 (a-b)?		
3.	Does your organization provide accurate, current, and complete disclosure of the financial results of the financially assisted activities required by the financial reporting requirements of the grant? (2 C.F.R. § 200.327)?		
4.	Does your organization permit preparation of reports required by the applicable statutes and regulations? [2 C.F.R. § 200.112 / 2 C.F.R. § 200.62 (a-b)]?		
5.	Does your organization permit the documentation of funds to a level of expenditure adequate to establish that funds have not been expended in violation of applicable statutes(2 C.F.R. § 200.302 (a-b)?		
6.	Does your organization contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, expenditures, and income sufficient to identify the source and application of funds provided for financially-assisted activities (2 C.F.R. § 200.302 (a-b)?		
7.	Does your organization have an approved indirect cost rate with the Federal Government that covers the entire proposed period of performance for the grant application?		
Procurement Standards			
1.	When procuring property, including equipment and services under grants, does your organization's contract administration system thoroughly document and inventory all equipment purchased with grant funds? [2 C.F.R. § 200.313 (d) (1-2)]		

2.	Does your organization provide controls to ensure safeguards against loss, damage, or theft of the property? [2 C.F.R. § 200.313 (d) (3)]?		
3.	Does your organization provide adequate maintenance of the property? [2 C.F.R. § 200.313 (d) (4)]?		
4.	Does your organization follow written procurement procedures which (1) avoid unnecessary purchases; (2) provide an analysis of lease and purchase alternatives; and (3) provide a process for soliciting goods and services that maximizes competition to obtain good value? [2 C.F.R. § 200.320]?		
5.	Does your organization define equipment as property that is non-expendable, tangible personal property having a useful life of more than one year and is an acquisition cost valued at $5,000 or the lesser of the capitalization level established by the State or local government? [2 C.F.R. § 200.33]?		

Personnel			
1.	Does your organization maintain written standards of conduct governing the performance of employees engaged in the award and administration of contracts [2 C.F.R. § 200.112 / 2 C.F.R. § 200.62 (a-b)]?		
2.	Does your organization maintain a personnel system which provides for full compliance with and ability to support on the activities of each employee whose compensation is charged to an assistance agreement? (2 C.F.R. § 200.431)		
3.	Are your organization's fringe benefits applied reasonably and consistently to all grants and identified by individual employee or allotted by a fringe benefit rate? (2 C.F.R. 200.431)		
Sub-Award System			
1.	Does your organization's sub-award administration system meet Federal requirements? (2 C.F.R. §§ 200.500-520 – Subpart F)		
2.	Does your organization maintain written procedures outlining sub-recipient responsibilities and include: 1) clauses required by Federal statute and EO's and their implementing regulations, and; 2) written provisions for compliance by a Pass-Through Agency (PTA) (as defined in 2 C.F.R. § 200.74) with 2 C.F.R. § 200.331 and all references to PTAs throughout 2 C.F.R. 200?		

PART V - CERTIFICATION AND SUBMISSION

CERTIFICATION OF APPLICANT'S AUTHORIZED REPRESENTATIVE (REQUIRED):
I certify that the statements I have made on this form and all attachments thereto are true, accurate, and complete. I acknowledge that any knowingly false or misleading statement may be punishable by fine or imprisonment or both under applicable law.

Name_____

Title_____

Signature_____

Date_____

Appendix 19
Procurement Approval

U.S. Small Business Administration
Office of Entrepreneurship Education (OEE)

Request for Noncompetitive Procurement (Sole Source) Approval
Complete and submit this form to request prior approval for a noncompetitive, sole source proposal. Limit one proposal per form. Completion and submission of this form satisfies the requirement in 2 CFR 200.

Name of Program Office:

Name of Grantee:

Description of Request

1. **Describe the proposal, and justify the rationale for making it noncompetitive.**

   TEXT

2. **How many vendors have been contacted for price quotes that led you to determine that there is only a sole source?** TEXT

   List the vendors contacted:

   TEXT

Certification

Name and Title of Authorized Official:

Signature of Authorized Official and Date:

This form must be signed by the authorized official.

Email this signed form to the Program Office official.

For SBA Use

☐ **Request for prior written approval is approved as requested.**

☐ **Request for prior written approval is approved with the following changes:**

TEXT

☐ **Request for prior written approval is denied.**

Signature of Program Office and Date:

U.S. Small Business Administration
Office of Entrepreneurship Education (OEE)

Request for Competitive Procurement Approval
Complete and submit this form to request prior approval for a competitive procurement. Limit one proposal per form. Completion and submission of this form satisfies the requirement in 2 CFR 200.

Name of Program Office:

Name of Grantee:

Description of Request

1. **Describe the proposed competitive procurement.**

   TEXT

2. **Secure price quotes from three vendors?** TEXT

   List the three vendors contacted and provide the price quote information.

   TEXT

3. **Provide a rational for why the grantee did not select the lowest price quote. Additional information may be attached. Additional information may be requested by SBA.**

   TEXT

Certification

Name and Title of Authorized Official:

Signature of Authorized Official and Date:

This form must be signed by the authorized official.

Email this signed form to the Program Office official.

For SBA Use

☐ **Request for prior written approval is approved as requested.**

☐ **Request for prior written approval is approved with the following changes:**

TEXT

☐ **Request for prior written approval is denied.**

Signature of Program Office and Date:

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SBA

SOP 60 16 1

Standard Operating Procedures

Office of Small Business Development Centers

U.S. Small Business Administration

SMALL BUSINESS ADMINISTRATION
STANDARD OPERATING PROCEDURES

SUBJECT:	S.O.P.		REV
Standard Operating Procedures	SECTION 60	NO. 16	1

INTRODUCTION

1. Purpose. To provide standard and uniform guidance to the OSBDC staff in performing their administrative, programmatic and financial oversight responsibilities for the SBDC Program.

2. Personnel Concerned. All OSBDC employees.

3. Directives Cancelled. 60.15

4. Originator. Office Small Business Development Centers

AUTHORIZED BY:	EFFECTIVE DATE
Associate Administrator/Small Business Development Centers	September 29, 2017
	PAGE 2

SBA Form 989 (5-90) Ref SOP 00 23

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Mission Statement

The mission of the Office of Small Business Development Centers (OSBDC) is to promote entrepreneurship, small business growth and the U.S. economy by providing the critical funding, oversight and support needed to the nationwide network of Small Business Development Centers (SBDCs).

Chapter 1 Introduction

A. What is the purpose of this Standard Operating Procedure (SOP)?

The purpose of this SOP is to provide standard and uniform guidance to the OSBDC staff in performing their administrative, programmatic and financial oversight responsibilities for the SBDC Program.

This SOP is applicable to all OSBDC Grants and Cooperative Agreements awarded by the U.S. Small Business Administration (SBA).

B. How is OSBDC organized?

OSBDC consists of the following functional areas: administrative management, program management, grants management, and operations. The administrative management of OSBDC is the responsibility of the Associate Administrator, Deputy Associate Administrator, and Director of Financial Oversight. Program management holds the responsibility for the overall monitoring and oversight of the SBDC Program award, including compliance with the terms and conditions of the Cooperative Agreement. Grants management is responsible for reviewing SBDC recipient budgets and all related fiscal documentation for compliance with applicable Federal and program requirements, as well as issuing the NOA. Specific functional area responsibility of all OSBDC staff can be found in this chapter under the heading "Roles and Responsibilities."

C. What are some key terms used in OSBDC?

1. **Applicant/Recipient Organization**. A qualified eligible entity applying for or receiving Federal financial assistance to establish, administer, and operate an SBDC Network under a new or renewed Cooperative Agreement.
2. **Application**. The written submission by a new Applicant Organization or an existing Recipient Organization describing its projected SBDC activities for the upcoming Budget Period and requesting SBA funds for use in its operations.
3. **Area of Service**. The State, territory or portion of a State or territory (when there is more than one SBDC in a State or territory, include a description of the area to be served), or the District of Columbia in which an Applicant Organization proposes to provide services or in which a Recipient Organization currently provides services, designated in writing by the Associate Administrator for SBDCs (AA/SBDC).
4. **Authorized Organizational Representative (AOR)**. The person or persons who may submit Applications to Grants.gov on behalf of an organization. The AOR also has executorial authority and is authorized to legally bind the organization.
5. **Budget Period**. The twelve month period in which an SBDC incurs expenditures and provides services.
6. **Carryover Funds**. The unobligated portion of Federal funds from one Budget Period, approved through a grant/Cooperative Agreement modification for use in the next Budget Period only. The SBDC Lead Center does not have automatic authority to carryover Federal or Matching Funds without a written request and approval of the AA/SBDC.

7. **Cash Match**. Non-Federal direct funds allocated specifically to the performance of the SBDC project, to the extent that such funds are expended as part of the verified, specific, line item Direct Costs of the SBDC Program.

8. **Client**. See the OSBDC Program Announcement (PA).

9. **Cognizant Federal Agency**. The Federal agency from which a Recipient Organization or a Sponsoring SBDC Organization receives its largest Federal grant or greatest amount of Federal funding, and from whom it obtains an Indirect Cost Rate Agreement for budgetary and funding purposes. This rate is accepted throughout the Federal government.

10. **Cooperative Agreement**. A legal instrument reflecting the relationship between the United States Government and a Recipient when the principal purpose of the relationship is to transfer a thing of value to the Recipient to carry out a public purpose of support or stimulation and substantial involvement is expected between the awarding agency and the Recipient when carrying out the activity contemplated in the agreement.

11. **Co-sponsorship**. Cooperation with a profit-making concern to provide Training, information, and education to small business concerns. The SBA shall ensure that:

    - the SBA receives appropriate recognition and publicity;
    - the cooperation does not constitute or imply an endorsement by the SBA of any product or service of the cosponsor;
    - unnecessary promotion of the products or services of the cosponsor is avoided; and
    - utilization of any one cosponsor in a marketing area is minimized.
    - Further, the SBA shall develop an agreement, executed on behalf of the Agency by an employee of the Administration in Washington, the District of Columbia, that provides, at a minimum, that:any printed material to announce the Co-sponsorship or to be distributed at the cosponsored activity shall be approved in advance by the SBA;
    - the terms and conditions of the cooperation shall be specified;
    - only minimal charges may be imposed on any small business concern to cover the Direct Costs of providing the assistance;
    - the SBA may provide to the Co-sponsorship mailing labels, but must not provide lists of names and addresses of small business concerns compiled by the SBA;
    - all printed materials containing the names of both the SBA and the co-sponsor shall include a prominent disclaimer that the cooperation does not constitute or imply an endorsement by the SBA of any product or service of the co-sponsor; and
    - the SBA shall ensure that it receives appropriate recognition in all Co-sponsorship printed materials.

    This is as defined in and governed by §8(b)(1)(A) of the Small Business Act and SBA's Standard Operating Procedures.

12. **Counseling**. See the OSBDC PA.
13. **Direct Cost**. Any cost that can be specifically identified with a particular project, program, or activity, or that can be directly assigned to such activities relatively easily and with a high degree of accuracy. Direct Costs include, but are not limited to, salaries, travel, equipment, and supplies directly benefiting the grant-supported project or activity. See 2 CFR Part 200.413
14. **Dispute**. Dispute means a program or financial disagreement that the Recipient Organization has with SBA and that requests be handled according to the Dispute resolution procedures set forth in 13 CFR Part 130.630.
15. **Full-time**. An individual or position is considered to be Full-time for the purpose of meeting the state/regional director requirements when 100% of the time and effort is allocated to the SBDC grant and other grants providing for management and technical assistance to the small business community in accordance with the Cooperative Agreement.
16. **Grants and Cooperative Agreement Appeals Committee**. The SBA committee appointed by the SBA Administrator that resolves appeals arising from program and financial Disputes between a Recipient Organization and SBA.
17. **Indirect Cost Rate**. A tool for determining the proportion of Indirect Costs each program should bear. It is the ratio (expressed in a percentage) of the Indirect Costs to a Direct Cost base.
18. **Indirect Cost Rate Agreement (ICR Agreement)**. A document that formalizes the negotiated Indirect Cost Rate.
19. **Indirect Costs**. The expenses of doing business that are not readily identified with a particular grant, contract, project function or activity, but are necessary for the general operation of the organization and the activities it performs. See 2 CFR Part 200.414.
20. **In-kind Contributions**. See the OSBDC PA.
21. **Key Personnel**. See the OSBDC PA.
22. **Lead SBDC**. See the OSBDC PA.
23. **Letter of Intent (LOI)**. Recipients are provided with a LOI in advance of the submission of the proposal. The purpose of the LOI is to provide the Recipient with assurance that they will be receiving funding in the coming year. The LOI also provides the Recipient with a funding level on which they can prepare their budgets.
24. **Letter of Intent to Renew**. Assurance provided to the OSBDC that a Recipient Organization intends to exercise a renewal option for funding for the SBDC Program.
25. **Lobbying**. There is a broad Federal restriction on all grantees of the Federal government that prohibits the use of Federally-appropriated funds to lobby Congress or agencies concerning certain specified Federal actions (31 USC § 1352 (also known as the Byrd Amendment). In addition, the Office of Management and Budget's (OMB) Uniform Guidance at 2 CFR Part 200.450 provides that Lobbying activities are generally unallowable costs, and defines unallowable activities as well as the limited activities that are allowed.
26. **Matching Funds**. The combined amounts of Cash Match and non-Cash Match proposed for the Cooperative Agreement or claimed to fulfill matching requirements.

27. **Notice of Award (NOA)**. The funding document issued by the SBA to obligate Federal funds, enabling reimbursement to a Recipient Organization administering an SBDC Cooperative Agreement.
28. **Overmatch Expenditures**. Expenditures of non-Federal cash and use of non-cash resources for authorized SBDC activities in excess of the statutorily required match.
29. **Preparation Time (hours)**. See the OSBDC PA.
30. **Program Announcement (PA)**. The annual publication outlining the terms and conditions that an applicant or Recipient Organization must address in its initial or renewal Application to apply for funding.
31. **Program (or Project) Funds**. See the OSBDC PA.
32. **Program Income**. See the OSBDC PA.
33. **Project Period**. See the OSBDC PA.
34. **Omni-Circular**. Refers to 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
35. **Recipient Organization**. See the OSBDC PA.
36. **SBA Resource Partner**. See the OSBDC PA.
37. **SBDC Network**. See the OSBDC PA.
38. **Sub-recipient**. See the OSDC PA.
39. **SBDC Employee**. All persons working at an SBDC who are governed by the terms of the Cooperative Agreement.
40. **System for Award Management**. SAM is the official U.S. Government system that consolidated the capabilities of CCR/FedReg, ORCA, and EPLS.
41. **Training**. See the OSBDC PA.
42. **Travel Time**. See the OSBDC PA

D. Roles and Responsibilities

1. **National SBDC Advisory Board**. Gives counsels and confers with the AA/SBDC on policy matters pertaining to the operation of the SBDC Program.
2. **Associate Administrator (AA/SBDC)**. Administers the SBDC Program.
3. **Denver Finance Center**. Processes financial transactions for OSBDC.
4. **Director of Financial Oversight**. Monitors the payment and reconciliation process, including random review of PRISM to ensure recipient compliance with statues, regulations, and terms and conditions of the award.
5. **District Director (DD)**. Oversees the PO and works with OSBDC in oversight of the SBDC Networks.
6. **Deputy Associate Administrator (DAA/SBDC)**. Assists the AA/SBDC in the administration of the SBDC Program.
7. **Examiner**. An SBA employee or contractor responsible to the AA/SBDC for conducting financial examinations, as required in 21(k)(1) of the Small Business Act (see 13 CFR §130.810).
8. **Financial Program Analyst**. The SBA official responsible for financial internal controls and the allocation and disbursement of Federal Program Funds.
9. **Grants Management Officer (GMO)**. The SBA official with delegated authority to obligate Federal funds by signing the NOA; also referred to as the GMS.
10. **Grants Management Specialist (GMS)**. The GMS, like the GMO, is responsible for the financial aspects of the grants, and is responsible for reviewing grant Applications for compliance with statues, regulations, rules, and policies and procedures governing the administration of Federal grants, and Cooperative Agreements.
11. **Host Institution**. A Recipient Organization that enters into a Cooperative Agreement with SBA to establish and operate an SBDC Network. Also referred to as a Recipient.
12. **Interim State/Region Director**. The individual temporarily assigned by the Recipient Organization to fulfill the responsibilities of the State/Region Director.
13. **Office of General Counsel (OGC)**. Provides the legal clearance and sufficiency for all OSBDC grant awards and funding opportunities.
14. **Program Analyst (PA)**. Provides administrative support to the AA/SBDC. Also serves as the back-up to the Program Specialist for processing reimbursement requests, FOIA requests, and DFO duties for the National Small Business Centers Advisory Board.
15. **Program Manager (PM)**. Oversees the programmatic performance of grant recipients and conducts programmatic reviews of one or more SBDCs. During the Pre-Award phase of the grant life cycle, the PM is responsible for evaluating and scoring the grant proposal Applications.
16. **Program Specialist (PS)**. Responsible for reviewing and approving the reimbursement requests and sending them to the Denver Finance Center for payment. Also serves as the Freedom of Information Act (FOIA) Officer and the Designated Federal Officer (DFO) for the National Small Business Development Centers Advisory Board.

17. **Project Officer (PO)**. An SBA district office employee who is the point of contact for the SBDC and who, on behalf of the DD, negotiates the annual Cooperative Agreement goals, verifies data, conducts reviews, and monitors the ongoing operations of an SBDC.

18. **State/Regional Director**. See the OSBDC PA.

Chapter 2 The SBDC Program

A. What is the SBDC Program?

The SBDC Program is the U.S. Small Business Administration's (SBA's) largest matching grant-funded program providing quality service to the small business community. The SBDC Program has 63 Recipient Organizations – one in each state (four in Texas and six in California), the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and American Samoa. The Recipient is responsible for establishing a Lead Office (SBDC) and a network of Service Centers that cover its designated Area of Service. The SBDC Program links the resources of Federal, state, and local governments with the resources of the educational community and the private sector to provide assistance to the small business community.

B. What is the authority for the SBDC Program?

The authority for the SBDC Program is the Small Business Act, 15 USC 648.

C. What is the purpose of the SBDC Program?

The SBDC Program provides a broad-based network of assistance for the small business community linking the resources of Federal, State, and local governments with the resources of the educational community and the private sector. The purpose of the program is to provide quality business and economic development assistance to small businesses and prospective small businesses, promoting growth, expansion, and innovation, increasing productivity, and improving management practices.

D. What is an SBDC?

An SBDC is a qualified eligible entity that receives Federal financial assistance to establish, administer, and operate an SBDC Network. Funding is provided through a Cooperative Agreement. The entities eligible to operate an SBDC Network are:

- A public or private institution of higher education;
- A land-grant college or university;
- A college or school of business, engineering, commerce, or agriculture;
- A community or junior college;
- Any Women's Business Center operating pursuant to section 29 of the Small Business Act;
- An entity formed by two or more of the above entities; or
- Any entity that was operating as a Recipient Organization as of December 31, 1990.

E. What types of entities currently operate an SBDC Network?

Institutions of higher education and grandfathered legacy SBDCs operated by State Governments, such as:

- Illinois
- Indiana
- Minnesota
- Montana
- Ohio
- West Virginia

F. What is an SBDC Network?

An SBDC Network is a cooperative effort of the private sector, the educational community, and/or Federal, state, and local governments formed to provide Counseling and Training to nascent and existing small businesses to promote and nurture economic health and growth in their community, as well as to provide any other services that reflect the economic development agenda and needs of the state or territory in which the SBDC is located.

G. What is the Partnership between SBA and the SBDCs (i.e. Substantial Involvement)?

SBA funds the SBDC Program through a Cooperative Agreement. The Partnership is derived from SBA's and the SBDC's responsibility to the program. The SBA is responsible for overall program policy and oversight, while the SBDCs have the responsibility for implementation and management of its day-to-day operation.

H. What policy documents and guidelines apply to the SBDC Program?

The primary documents governing the SBDC Program include:

- Small Business Act 15 USC 21
- Federal Regulations 13 CFR §130 et seq.
- SBDC Program Announcement (issued annually)
- SBDC Cooperative Agreement (issued annually)
- 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- 2 CFR Part 180 – Government wide Debarment and Suspension (non-procurement)
- 13 CFR Part 146– New Restrictions on Lobbying
- 2 CFR Part 2700 – Nonprocurement Debarment and Suspension

I. Who administers the SBDC Program?

The Associate Administrator for SBDC has the responsibility of administering the SBDC Program. With that, the AA/SBDC recommends annual program budgets, establishes funding levels in accordance with the statute, implements the provisions of the program, and ensures the exchange of information between the SBDCs. The AA/SBDC also consults and confers with the National SBDC Advisory Board.

J. What is the National SBDC Advisory Board?

The National SBDC Advisory Board is a nine-member body appointed by the SBA Administrator. The Board is represented by three members from universities or their affiliates; the remaining six members are from small businesses or associations representing small businesses.

K. What is the National SBDC Advisory Board's responsibility to the SBDC Program?

The Board is required to advise, counsel and confer with the AA/SBDC in carrying out the SBDC Program under Section 21 of the Small Business Act. The Board is to serve as an objective, external source of information for the AA/SBDC by providing insight on trends, gaps, best practices and opportunities that can strengthen and inform SBDC Programs and policy.

L. What are the responsibilities of the National SBDC Advisory Board's Designated Federal Officer (DFO)?

As a requirement of the Federal Advisory Committee Act (FACA), a Full-time OSBDC employee is the Designated Federal Officer (DFO) assigned to the National Small Business Advisory Board. The DFO is responsible for the following:

1. Drafting the committee charter and associated documents
2. Drafting Federal Register notices
3. Submitting required paperwork to the Committee Management Officer
4. Drafting and/or revising Advisory Committee Operating Procedures; sending a copy to the CMO
5. Providing orientation to new Board members
6. Maintaining up-to-date membership records
7. Processing travel and expenditure vouchers
8. Scheduling the meetings of the advisory committee
9. Putting together the meeting agendas
10. Provide members with meeting materials
11. Chairing meetings when the SBA's CMO directs

12. Adjourning meetings when it is in the public's interest
13. Ensuring compliance with FACA and any other applicable law and regulations
14. Providing copies of committee reports to the CMO for forwarding to the Library of Congress
15. Attending all meetings in person

M. Is there any other OSBDC staff that works closely with the National SBDC Advisory Board?

Yes. The Program Analyst assists in organizing the monthly conference calls and the semiannual face-to-face meetings. The Financial Program Analyst participates in all the monthly conference calls and is responsible for the National SBDC Advisory Board budget. The DAA/SBDC works in conjunction with the AA/SBDC in conducting the monthly conference calls and semiannual meetings.

N. How are the SBDC Program Funds Allocated?

When the SBDC program receives its annual appropriation, $1,000,000 is allocated for the Portable Assistance Grant program. $300,000 is allocated for SBDCNet, $175,000 is allocated to the accreditation contract to ASBDC, and $25,000 goes to the advisory board. The remaining funds are disbursed (through a formula based on state population) to the 63 SBDC Lead Centers.

O. What is the SBDC National Clearinghouse (SBDCNet)?

SBDCNet produces a broad range of financial, market and demographic research reports, customized to a client's industry and geographic location. SBDCNet's mission is to support the business research and information needs of the SBDCs and their small business clients. The mission is fulfilled by providing business research assistance directly to official SBDC counselors and by maintaining this public-access website (http://www.sbdcnet.org/). This is defined in and governed by §21(h)(2)(A) of the Small Business Act.

- $300,000 set aside from total authorized SBDC funding.
- Requirement of Small Business Act
- Hosted by the South West Border Region SBDC in San Antonio, TX.

P. What is a Portable Assistance Grant?

This award is authorized by Section 21(n) of the Small Business Act, (15 USC Section 648(n)). Applicants develop portable assistance programs to support the startup and sustainability of small business concerns in communities that are economically challenged as a result of a business or government facility downsizing or closing, resulting in the loss of jobs and/or small business instability.

Q. What is the application process for Portable Assistance Grants?

The portable assistance application can be accessed through www.grants.gov in the spring of each year. To be eligible for this funding opportunity, an applicant must be an existing SBDC Lead Center currently funded by SBA. The SBDC must be an accredited SBDC under § 21(k)(2) of the Small Business Act (15 U.S.C. § 648 (k)(2)).

R. How is client confidentiality protected?

An SBDC, including its contractors and other agents, are not permitted to disclose to any entity outside of the individual SBDC the name, address, or telephone number--referred to as 'Client contact data'--of any individual or small business without their consent, with the following three exceptions outlined in statute:

(1) Court orders that require the Administrator to do so in any civil or criminal enforcement action initiated by a Federal or State Agency

(2) The Administrator considers such a disclosure to be necessary for the purpose of conducting a financial audit of a lead center

(3) The SBA requires Client contact data to directly survey SBDC Clients.

The request to disclose must justify and document the need for individual Client contact and/or Program activity data to the satisfaction of the Associate Administrator (AA) of OSBDC. Below is the process that SBA will undertake for each request received:

- Requests are submitted for review by the AA of OSBDC.
- The AA of OSBDC submits the request to OGC for review, along with a supporting recommendation to either approve or deny the request.
- OGC reviews the request and informs OSBDC of their decision.
- The AA of OSBDC responds to the request with the final determination, with a copy sent to the individual SBDC implicated in the request.

S. Does OSBDC administer any disaster awards?

Yes, in the event of a disaster, the Office of Entrepreneurial Development (OED) is authorized to provide financial assistance to recipients of OSBDC awards for the purpose of spurring disaster recovery and growth of small business concerns located in an area for which the President has declared a major disaster.

T. How is funding allocated for disaster awards?

Projects are funded under the RISE (Recovery Improvements for Small Entities) After Disaster Act *(Pub L. No. 114-88, Div. B)*. The RISE After Disaster awards are made under separate and independent grant funding authority distinct from that used by SBA for other awards to SBDC.

Chapter 3 The Program Announcement (PA)

A. What is the PA?

The PA is the method by which SBA announces a financial assistance opportunity and solicits Applications. It is the overall responsibility of the AA/SBDC and PMs to develop the programmatic aspects of the PA, thereby establishing program goals and objectives and developing and determining timelines for proposal submissions. Additionally, the PMs, along with district office personnel, are responsible for negotiating with the SBDCs their annual program goals and objectives.

The PA contains program-specific information, such as the governing statutes, the funding instrument, project dates, and the CDFA Number. The PA includes all the pertinent information and requirements an applicant needs to assess their eligibility, capacity, and interest in the SBDC Program. See the PA for specific requirements.

America's SBDC (ASBDC) Operations Committee provides comments and input on the development of the PA. The Office of General Counsel (OGC) reviews the PA and ensures the document is in compliance with all applicable statues, regulations, and laws. Once all approvals for the PA have cleared, the PA is sent to the Office of Grants Management (OGM) for posting to Grants.gov.

B. What type of Award Instrument does OSBDC use?

OSBDC uses a Cooperative Agreement as the legal instrument between SBA and the Recipient Organization to deliver financial assistance.

C. What is a Letter of Intent (LOI)?

Recipients are provided with an LOI in advance of the submission of the proposal. The purpose of the LOI is to provide the Recipient with assurance that they will be receiving funding in the coming year. The LOI also provides the Recipient with a funding level on which they can prepare their budgets.

D. What is a Letter of Intent to Renew?

SBDCs wishing to exercise a renewal option for funding must email or fax a Letter of Intent to Renew to the PM by the date listed on the applicant's timeline in the PA. This lets OSBDC know that the Recipient is still interested in participating in the SBDC Program and is requesting funding.

Chapter 4 Application Review

A. Overview

Only current SBDCs can apply for financial assistance in response to an OSBDC PA. SBA intends to award continuation funding to the Recipient under subsequent annual SBDC Cooperative Agreements for future fiscal/calendar years, subject to continued program authorization, availability of funds, satisfactory performance, and continued interest of the Recipient Organization. Since applicants are the same from year to year, the Application review process is moderately different from a traditional Application review process.

B. What is the first step in the Application review process?

Once Applications are received from the Office of Grants Management (OGM), PMs perform an initial screening to ensure that the Application packages received are complete. The PMs check each Application to ensure it includes the components required to qualify for the award. The importance of the initial screening is to ensure the required components are provided, not to determine the quality of those components. The PA succinctly outlines the requirements needed for a successful submission.

C. Is there a detailed Programmatic Review and Assessment of Applications?

Yes. Once the initial review of the Applications is completed, the Applications undergo a thorough review and assessment for their technical and programmatic viability. Each PM has a specific portfolio of Applications and conducts a programmatic review and assessment of the substance of each Application. The PM recommends approval to the GMS once the programmatic review of the Application has been completed. The GMS must receive concurrence from the PM and PO before an award can be issued. The PO provides their concurrence through a completed and signed PO checklist, which both the PO and PM signs. The SBDC PO Proposal Review Checklist is found in Appendix 1.

D. Is a detailed financial review of the Applications performed?

Yes. While an Application may have technical and programmatic aspects, the budget also needs to be well-documented and reflective of the program requirements. The GMSs are responsible for conducting a cost-price analysis, reviewing each line item and the overall proposed budget to ensure compliance with statutory and financial regulations. The GMS conducts a detailed cost analysis of the budget to ensure the following:

1. Each budget is complete, reasonable, allowable, allocable, and cost effective in relation to the project; a budget must be provided for the Recipient and any Sub-recipients.
2. The budget narrative provides a detailed justification for each cost included in the budget.
3. All project-related costs must be included in the appropriate cost categories.
4. The details of each budget category are reviewed: Personnel, Fringe, Travel, Equipment, Supplies, Contractual, Other, and Indirect Costs.

A detailed review of each budget is performed and documented by using a Memorandum of Negotiation and Cost/Price Analysis. This ensures that prices are fair, reasonable, allowable, allocable, and in compliance with all regulations, procedures, and policy pertaining to SBA's Federal Assistance Awards. The Memorandum of Negotiation and Cost/Price Analysis is enclosed as Appendix 2.

The Recipient's match requirement is also verified. The Cash Match must be certified up front and identified by source and amount in the SBDC cost proposal. The GMS will check the Recipient's Application and review the Certification of Cash Match and Program Income statement. Recipients are required to certify that they have non-Federal funds to contribute to the operation of the project.

The GMS will also review the Recipient's Application for Federal Assistance (SF424) to ensure that specific information provided is correct. The GMS will verify the Legal Name, DUNS, and EIN by checking the System for Award Management (SAM). SAM will also be used to determine if the Recipient is on the debarment/suspension list. It is the responsibility of the Recipient Organization to ensure that their Sub-recipients are in compliance with all statues, policies, and administrative regulations.

If there is a dispute between the Grants Management Specialist and the SBDC regarding a budget item, that dispute should be resolved at the lowest possible level and escalate, if necessary, as high as the AA/OED.

Chapter 5 The Notice of Award (NOA)

A. What approvals are needed to prepare the NOA?

The GMS receives approval from the PM and the PO to fund an applicant. The Financial Program Analyst also provides an Approval List (SBA Form 1223), which documents the authorization and approval of funding by the AA/SBDC and the OSBDC Director of Financial Oversight (DFO). The Financial Program Analyst also enters the requisition in the accounting system, allowing the commitment of funds.

B. What information appears on the NOA?

The NOA is SBA Form 1222 and contains the following information:

1. Authorization
2. Grant/Cooperative Agreement Number
3. Name and Address of Recipient
4. Project and Budget Periods
5. Award Amount
6. Title of Project/Program
7. Director of Project
8. Approved Budget
9. Administrative Regulations
10. Recipient EIN

The NOA also includes terms and conditions that provide additional administrative or programmatic requirements. If required, other special conditions specific to the SBDC may be attached to the award. See Appendix 3.

C. How do Recipients receive the NOA?

The Recipient's Authorized Organizational Representative (AOR), as identified in the NOA, is notified that they are the recipient of an SBDC NOA. This notification includes instructions to review the NOA and, if in agreement with the provisions of the NOA, sign and date it (SBA Form 1222) in block 23 and submit a counter-signed copy to osbdcnoas@sba.gov. The OSBDC Program Assistant emails this notification to the AOR. If the Recipient has any questions or concerns regarding the NOA, they must contact the GMO.

Chapter 6 General Financial Information

Payments

A. How will payments to the SBDCs be made?

Payments under the OSBDC Cooperative Agreement are made as reimbursements.

B. How must the SBDCs request payment for their program expenses?

To request payment, Recipient Organizations must provide SBA with a bank routing number and account information and submit a Standard Form 270, "Request for Advance or Reimbursement," signed by an authorized representative of the Recipient Organization. Additionally, each reimbursement request must include a certification statement in which the authorized representative of the Recipient Organization acknowledges the validity of the report being submitted. The SF-270 and accompanying certification statement must be signed by an official who is authorized to legally bind the Recipient Organization. Advances can be approved at the discretion of the AA/SBDC. The Request for Advance or Reimbursement, Standard Form 270, and Certification Statement are enclosed as Appendices 4 and 5.

C. How is the Recipient Organization's reimbursement request submitted to OSBDC?

The completed SF-270 and signed certification statement must be sent to SBDCPayments@sba.gov.

D. What happens with the SF-270 once it is received by OSBDC?

The OSBDC Program Specialist is responsible for reviewing the payment request for accuracy and submitting it to the Denver Finance Center for processing. The Program Specialist provides a thorough review of the SF-270 to ensure that the proper information has been provided. Depending on the condition of the SF-270, other OSBDC staff may also review the SF-270. The OSBDC Payments Policy outlines the procedures to be followed if there is a problem with the SF-270. The Payments Policy can be found in Appendix 6.

E. What is the SBA Denver Finance Center?

The Denver Finance Center processes all financial transaction requests for OSBDC.

F. What is the general guidance regarding payments for the SBDC Program?

General guidance regarding payments for the SBDC Program can be found at 2 CFR Subpart D 200.305.

Match

G. What is match?

Match is the dollar amount or value the Recipient agrees to contribute to the grant program.

H. Is there a match requirement for Recipients of the SBDC grant?

Yes. The Recipient Organization receiving the Cooperative Agreement is required to match Federal funds on a 1:1 ratio.

I. What are some types of match?

Non-Federal Matching Funds may take the form of cash, third-party in-kind donations, or waived Indirect Costs.

J. What is Cash Match?

Cash Match means the Recipient's non-Federal cash contribution to the program.

K. What is in-kind?

In-kind is the value of non-cash contributions provided by non-Federal third parties. Third-party contributions may be in the form of real property, equipment, supplies and other expendable property, and the value of goods and services directly benefitting and specifically identifiable to the program.

L. Is there a specific percentage of cash that is required for the SBDC Program?

Cash Match in an amount not less than 50 percent of the Federal funding is required. The remainder of match may be in the form of additional cash, third-party In-kind Contributions for Direct Costs, and/or waived Indirect Costs (13 CFR Part 130.450).

M. Can a recipient use other Federal funds as match?

There is one exception to the disallowance of Federal funds as Cash Match. Community Development Block Grant (CDBG) funds received from the Department of Housing and Urban Development are allowed when: (1) the SBDC activities are consistent with the authorized CDBG activities for which the funds were granted; and (2) the CDBG activities are identified in the consolidated plan of the CDBG grantee or in the agreement between the CDBG grantee and the Sub-recipient of funds.

N. What is overmatch and how can it be used in the SBDC Program?

OSBDC considers non-Federal funds an SBDC spends on the program over and above the amount required by law as overmatch. The SBDC can apply overmatch amounts to meet additional Matching Funds requirements necessitated by any supplemental funding increase received by the SBDC during the Budget Period. With approval of the AA/SBDC, the Recipient may also use allowable overmatched funds from the prior two Budget Periods as well as the overmatch from the current Budget Period, which the SBDC has not used as a credit, to offset any confirmed audit disallowances in the current year.

O. Is waiver of match allowed?

In accordance with 48 U.S.C. §1469a, the Agency may waive any requirement for Matching Funds under $200,000 otherwise required by law to be provided to the governments of certain insular areas. This waiver applies to awards made to the governments of insular area recipients that are agencies or instrumentalities of the governments of American Samoa, Guam, and the U.S. Virgin Islands. Match Requirements Policy for Protectorate Areas (also called Insular Areas) is incorporated into this SOP as Appendix 7.

Program Income

P. What is Program Income?

Program Income is income that is earned by a recipient from activities that are supported by the Direct Costs of the award. It includes and is not limited to fees collected from Clients and/or attendees for Training.

Q. Can Program Income be used as match?

Program Income may not be used as a source of Matching Funds.

R. How must Program Income be used in the SBDC Program?

Program Income must be used to expand the quantity or quality of services, resources, or outreach provided by the SBDC Network. Planned expenditures from Program Income are subject to OMB Uniform Guidance and SBDC Program rules and requirements set forth in 13 CFR Part 130.480.

Further, unused Program Income is permitted to be carried over to the subsequent Budget Period by the SBDC Network; however, the aggregate amount of network Program Income cannot exceed 25% of the total SBDC budget (Federal and matching expenditures).

S. Is Program Income included in a Recipient's budget?

No. Program Income that is used to support program costs should not be included in a Recipient's Application, network budget, or budget justifications.

Financial Certifications

T. What financial certifications must be provided with a Recipient's grant proposal Application?

Consistent with 2 CFR Part 200.415, financial certifications must be signed by an authorized individual at a level no lower than vice president or chief financial officer of the Recipient Organization. Each applicant must complete and submit the forms listed below:

1. Certification Regarding Drug-Free Workplace Requirements
2. Certification Regarding Lobbying (SBA Form 1711)
3. Cash Match and Program Income Certification Form
4. Cost Sharing Proposal (SBA Form 1224)
5. Assurances- Non-Construction Programs (SF-424B)[1]
6. Disclosure Form (SF-LLL)[2]
7. Most recent A-133 Audit (Applicant can provide a link to the audit document if the document is large)

Indirect Costs

U. How can a Recipient claim Indirect Costs?

To propose and subsequently claim Indirect Costs, a Recipient must provide their most current Indirect Cost Rate Agreement, as negotiated with their Cognizant Federal Agency, certified by their state governmental unit, and approved by their Cognizant Federal Agency, or a rate approved by SBA. The ICR Agreement for participating Service Centers must also be provided.

V. Are Recipients required to have an Indirect Cost Rate Agreement?

Any grant Recipient that wishes to be reimbursed for Indirect Cost must have a current Indirect Cost Rate Agreement negotiated with a Cognizant Federal Agency.

W. Is SBA a Cognizant Federal Agency that negotiates Indirect Costs rates?

No. However, entities without an ICR negotiated with another federal agency may request that the SBA Project Officer provide an SBA ICR (at 24% of Modified Total Direct Costs) to be used exclusively by the SBDC Program for Recipient Organizations or Sub-recipients who have never

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[1] SF424B and SF-LLL are incorporated as part of the electronic application form on Grants.gov. All other required Certification forms can be obtained from the OSBDC website.

[2] *Ibid.*

negotiated an Indirect Cost Rate Agreement with another federal agency. The following conditions apply:

- Cost pools underlying the ICR Agreement include personnel compensation and benefits for positions or for activities which are not: 1) in direct support of the SBDC Program goals and objectives, and 2) under the direction or supervision of the key person identified in the Cooperative Agreement as responsible for program performance at the respective host entity.

  Examples include, but are not limited to, those expenditures allocable to human resources and accounting departments, sponsored project staff, corporate marketing staff, controllers, deans, chief executives, and presidents of colleges and universities.

- Non-personnel costs such as audits, supplies, materials, insurance, and other services and operating costs allocable to administrative departments and to the activities of the host entity are considered part of the "general and administrative cost pool" and thus may not also be directly charged.

- Only SBDC Program Funds allocated for Direct Costs may be used to determine the allowable reimbursed or waived Indirect Cost. Any agreements subsequently negotiated with a federal agency will supersede the SBA ICR Agreement.

X. Can a Recipient/Sub-recipient request a rate higher than 24 percent from SBA?

The Recipient cannot request a higher rate. The ICR is standard and should not be altered.

Y. Can a Recipient/Sub-recipient use the SBA ICR for other Federal programs?

No. The ICR can only be used for the SBDC Program.

Z. Can a Sub-recipient contact the SBA for an ICR?

No. The Lead Center must contact the SBA PO to request an ICR for the Sub-recipient.

AA. Can a Recipient claim F&A costs on a Sub-recipient each year?

When making new sub-awards, administrative costs incurred for establishing technical needs, determining qualified candidates, issuing requests for bids, evaluating replies, and selecting an awardee may be claimed as Indirect Costs according to 2 CFR Part 200, Appendices III and V. The CFR allows these incremental Facilities and Administrative costs on the first $25,000 to be claimed one time in the Indirect Cost base for each subcontract or sub-award. The process to ensure the Lead Center excludes sub-recipient costs, in excess of the first $25,000 from their indirect cost calculations, occurs during the review of the lead centers budget review process by the GMS. It is not appropriate to claim these costs when obtaining annual funding to continue the sub-award. These costs may only be claimed when an open, competitive bidding process was involved in issuing the sub-award that included the aforementioned administrative costs.

BB. Can a Sub-recipient use the Lead Center's ICR Agreement?

No. Sub-recipients are required to have their own negotiated ICR Agreement in order to claim Indirect Costs.

CC. Can Indirect Costs exceed the amount allowable under the approved ICR Agreement?

No. Indirect Costs cannot exceed the amount allowable under the approved ICR Agreement submitted with the proposal.

DD. Is using an SBA negotiated rate the only option for a Recipient that does not have an ICR Agreement negotiated with a Cognizant Federal Agency?

No. The Uniform Guidance 2 CFR Part 200.414 allows any non-Federal entity that has never received a negotiated Indirect Cost Rate to elect to charge a de minimis rate of 10% modified total Direct Costs, which may be used indefinitely. If the non-Federal entity chooses to charge the 10% de minimis rate, the non-Federal entity must use this rate consistently for all Federal awards until such time as the non-Federal entity chooses to negotiate for a rate with a Cognizant Federal Agency. This rule does not apply to organizations that have an expired ICR Agreement.

EE. What is the Schedule of Indirect Cost?

The Schedule of Indirect Cost is an OSBDC form developed for recipients to report claimed Indirect Cost with their proposal submission and also as part of their mid-year and annual financial reporting.

FF. What is the maximum percentage of Indirect Cost reimbursement from Federal funds a Recipient can receive?

Reimbursement of Indirect Costs from Federal funds will be capped at a maximum of 20 percent, regardless of the amount stipulated in a Recipient's ICR Agreement This maximum cap of 20% for indirect cost reimbursement follows procedures provided in 2 CFR Part 2701.414.

GG. What is waived Indirect Cost and how is it used in the SBDC Program?

Waived Indirect Costs are Indirect Costs for which Recipients waive their right to receive reimbursement and opt to use as match.

HH. What percentage of Federal dollars does the SBA require Recipients to allocate to the SBDC Program?

SBA requires that at least 80 percent of Federal dollars provided through the Cooperative Agreement be allocated to the Direct Costs of the program. This minimum allocation of 80% for direct costs through the Cooperative Agreement follows procedures provided in 2 CFR Part 2701.414.

II. How are administrative costs treated when a Recipient Organization is creating a new sub-award and when they are using an existing sub-award?

When making new sub-awards, administrative costs incurred for establishing technical needs, determining qualified candidates, issuing requests for bids, evaluating replies, and selecting an awardee may be claimed as Indirect Costs according to 2 CFR Part 200, Appendices III and V. The CFR allows these incremental Facilities and Administrative costs on the first $25,000 to be claimed one time in the Indirect Cost base for each subcontract or sub-award. The Recipient Organization cannot claim these costs when obtaining annual funding to continue the sub-award. These costs may only be claimed when an open, competitive bidding process was involved in issuing the sub-award that included the aforementioned administrative costs.

Carryover

JJ. What are Carryover Funds?

The award period is the period of time when Federal funding is available for obligation by the Recipient. The Recipient may charge to the grant only allowable costs incurred during the award period and any pre-award costs authorized by OSBDC. Recipients often seek to Carryover Funds that are unobligated into the next Budget Period. The SBDC Lead Center does not have automatic authority to carryover Federal and Matching Funds without written request and approval of the AA/SBDC.

Any Federal funding not properly obligated by the Recipient within the grant award period will lapse and revert to OSBDC for de-obligation if approval to carry over is not granted.

OSBDC has established policies and procedures to address Carryover Funds. The OSBDC grant/Cooperative Agreement policy and procedures on Carryover Funds will ensure quality

management, streamline the administrative process, and provide guidance and accountability for all participants of the SBDC Program.

The Grants and Cooperative Agreement Carryover Funds Policy and Procedures are incorporated into this SOP as Appendix 8.

Supplemental Funding

KK. What are supplemental funds?

Supplemental funds are the unobligated portion of Federal funds identified at the end of the financial assistance award period and those funds not taken by the SBDC at the start of the renewal period. It is considered additional funding available for redistribution in the SBDC Program. The method of funding is at the discretion of the AA/SBDC.

The Grants and Cooperative Agreement Supplemental Funds Policy and Procedures are incorporated into this SOP as Appendix 9.

Chapter 7 Monitoring and Reporting

Reporting Requirements

A. What are the reporting requirements for the SBDC Program?

The Recipients must submit Performance and Financial Reports on a semiannual basis to their PMs and POs by email. There are specific reporting dates based on the Recipient's budget/program cycle, whether fiscal or calendar. The fiscal year Recipient's budget/program year is October through September. The first reports are due April 30, and the final reports are due December 31. The calendar year Recipient's budget/program year is January through December. The first reports are due July 31, and the final reports are due March 31 of the next year.

B. What are the reporting requirements for SBDCs in the program 3 years or less or SBDCs determined to be High Risk?

The Recipients must submit Performance and Financial Reports on a quarterly basis to their PMs and POs by email. There are specific reporting dates based on the Recipient's budget/program cycle, whether fiscal or calendar. The fiscal year Recipient's budget/program year is October through September. The reports are due January 31, April 30, and July 31, and the final reports are due December 31. The calendar year Recipient's budget/program year is January through December. The first reports are due April 30, July 31, and October 31, and the final reports are due March 31 of the next year.

C. What other reports are required?

1. Audit Report
   Recipients are also required to submit an annual audited financial statement. Recipients must submit an audit report to their PM no later than 120 days after the conclusion of the Recipient's fiscal year. Please refer to 2 CFR Part 200 (Subpart F) for more information.
2. Client Service Data
   The Recipient is required to collect and maintain records of Counseling on SBA Form 641 and of Training activities on SBA Form 888 or its equivalent. The Client service information from these forms must be entered into SBA's Entrepreneurial Management Information System (EDMIS). Recipients are also required to include the Economic Impact Report in EDMIS. See Appendix 10 for a copy of SBA Form 641 and Appendix 11 for a copy of SBA Form 888.
3. Site Visits
   POs conduct on-site reviews of the SBDC Lead and service centers and provide OSBDC with a report of these reviews. PMs conduct their programmatic reviews based on the site visit reports submitted by the PO and write/issue a programmatic report.

D. Is there a penalty for late reporting?

Yes. If Recipients fail to submit timely or adequate reports, SBA may withhold funding until the required reports are submitted. The PM will notify the Recipient regarding their compliance with the General Terms and Conditions of their award.

E. Is quarterly reporting required?

It depends. If quarterly reporting is required, those conditions would be placed in the Recipient's NOA or applied through a budgetary or programmatic modification.

F. Is there a specific format that is required for the performance report?

Yes. The Performance Progress Reports are submitted electronically in Word format using Standard Form PPR (SF PPR) or a custom-designed format that includes all the same information required by the SF PPR with narrative statement provided. See the OSBDC PA, which details the specific reporting requirements for the performance report.

G. Is there a specific format required for the financial report?

Yes. Recipients submit their Federal Financial Reports using Standard Form 425 (SF-425). In addition to the SF-425, the report should also include a Program Income report. Program Income and Indirect Costs are not reported on the SF-425 but must be reported separately. The report should also show matching contributions expended during the reporting period.

The financial report covering the first six months must provide details of the Recipient's actual expenditures to support the SF-425 and SF2-70 for the SBDC Network.

For year-end reporting, Recipients are required to provide the same detailed information regarding their actual expenditures, broken down by the same cost category line items as in the approved budget.

There are several forms the OSBDC provides to assist Recipients with their financial reporting requirements. They are:

1. Self-populating Excel spreadsheet in support of the SF-425
2. SBA Form 2113 for reporting Program Income, along with the supporting worksheet cumulative 12-month Budget Period)
3. Schedule of Indirect Cost (for reporting the actual Indirect expense, reimbursed with SBA funds and SBDC non-Federal share)
4. OSBDC Budget Comparison Worksheet

Monitoring

H. What type of monitoring does the GMS perform?

The GMS will conduct a mid-year review and reconciliation of the financial report. The purpose of the mid-review is to review the Recipient's match reporting and drawdown patterns.

The GMS will conduct an end-year reconciliation of the Recipient's final Federal Financial Report (FFR) (SF-425) to determine the accurate expenditures of the Recipient; obtain an accurate total of unobligated funds, if any; and ensure that the Recipient's account is reconciled to the SBA accounting system. The GMS uses a checklist for SF-425 reconciliation to aid in the process. A copy of the Checklist for SF-425 Reconciliation is enclosed as Appendix 12.

The Program Specialist monitors the drawdown patterns of the Recipient. The PM is provided with the Recipient's drawdown patterns and will determine if any action is needed.

I. What type of monitoring does the PM perform?

The PM reviews the Lead Center and Service Center Monitoring Review (site visit) reports prepared by the PO to assess the Lead Center's management of the SBDC Network and ability to deliver services and remain compliant with the NOA.

The PM also reviews the Monitoring Statement that is provided with the semiannual and annual Progress Reports. The monitoring statement provides verification and corresponding analysis from the PO demonstrating that the information submitted by the SBDC in performance reports is valid and complete.

Additionally, the PM conducts biennial programmatic reviews of the SBDCs. The purpose of the review is to fulfill the programmatic management oversight function of the SBA in accordance with 15 USC 648 § 21(k)(1) of the Small Business Act and the Code of Federal Regulations (CFR) 13 Part 130.180(a). The review examines whether the SBDC Network is operating and performing effectively in its delivery of services to the small business community and whether it is in compliance with program policies, operating procedures, and applicable laws and regulations.

Chapter 8 Award Closeout

Annual Award

A. What is an annual award closeout?

An award closeout is the period of time after the project has ended during which Federal disbursements are reconciled against the Recipient's expenditures. It is an essential part of a Federal grant program. It evaluates the sufficiency of activities under the NOA and identifies unobligated balances, disallowed costs, and amounts potentially subject to collection, as well as determining if the goals and objectives of the project were met. Since Recipients in the SBDC Program are the same from year to year, the award closeout is somewhat different from a traditional award closeout.

B. What are the regulations that govern an award closeout?

2 CFR Parts 200.343-345. OSBDC follows this guidance but does not require the Recipient to address requirements in Parts 200.310 through 200.316 and 200.329 at the end of the annual Project Period. Closeout procedures related to these requirements would be addressed when a Recipient permanently leaves or is terminated from the SBDC Program and possibly during a financial examination.

C. What type of technical assistance does OSBDC provide to the Recipient during closeout?

The GMS develops and maintains End of Year Closeout Instructions, which are updated annually. The SBDC End of Year Closeout Instructions provide the Recipient with guidelines on how to prepare the final financial reports, how to report Indirect Costs and Program Income, and how final payments and carryovers are handled.

Prior to the end of the project/Budget Period, the PM reminds the Recipient of the requirements of the closeout process. The PM works closely with the Recipient to provide any final guidance that may be needed prior to the submission of the Recipient's final reports. The PM provides the Recipient with a copy of the SBDC End of Year Closeout Instructions.

The SBDC Annual Closeout Instructions can be found in Appendix 13.

D. What is the Recipient required to provide at closeout?

Recipients are required to submit, no later than 90 calendar days after the end date of the Project Period, all final financial and performance reports and any other reports as required by the terms and conditions of the NOA. There are specific reporting dates based on the Recipient's budget/program cycle followed, whether fiscal or calendar. The fiscal year Recipient's budget/program year is October through September. The first reports are due April 30, and the final reports are due December 31. The calendar year Recipient's budget/program year is January through December. The first reports are due July 31, and the final reports are due March 31 of the next year.

E. What must the Recipient do if they need an extension to submit their final reports?

Recipients must request an extension from their PM. The Recipient must also provide an adequate justification to support their requests for an extension. The PM consults with the GMS in making the decision to provide an extension to a Recipient.

F. What are the Recipient's requirements regarding record retention at closeout?

All financial records, supporting documents, statistical records, and other records pertinent to the award must be retained by the Recipient and Sub-recipients for a period of three years from submission of the final financial report. There are exceptions to this requirement, which can be found in the SBDC End of Year Closeout Instructions (Appendix 13). Also see 2 CFR Part 200, Subpart D.

G. How are Recipient refunds to SBA handled at closeout?

Refunds are returned to SBA in the form of a check or money order made payable to the U.S. Small Business Administration. Funds returned to SBA are non-transferrable and cannot be used as carryover or applied to another year's grant.

H. What is the PM's role in the closeout process?

The PM ensures that all final programmatic and financial reports have been submitted on time. The PM reviews the Recipient's final annual performance report, which includes the Recipient's accomplishments towards all program goals and objectives for the entire period of performance. The PM makes the determination if the Recipient's final performance report becomes part of the official grant file and informs the GMS.

I. What are the GMS's responsibilities for year-end closeout?

The GMS provides guidance to the Recipient on financial closeout requirements and ensures the Recipient's compliance with terms and conditions of the NOA. The GMS conducts an end-year reconciliation of the Recipient's final Federal Financial Report (FFR) (SF-425) to determine the accurate expenditures of the Recipient; obtain an accurate total of unobligated funds, if any; and ensure that the Recipient's account is reconciled to the SBA accounting system. The GMS uses a checklist for SF-425 reconciliation to aid in the process. The GMS reviews the Recipient's final financial reports and supporting documents to ensure their completeness, accuracy, and acceptability.

The GMS also reconciles any carryover indicated in the final financial reports, as described in the previous paragraph. Final drawdowns to reimburse Recipient expenditures can occur during closeout. The GMS also reviews and approves the final Request for Reimbursement (SF-270). Payments in excess of the expenditures are subject to a request for refund.

The GMS also processes any unobligated funds through the de-obligation process or through a carryover process. In addition to the end-of-year reconciliation, the GMS performs other administrative tasks to close completed awards. This may take the form of limited negotiation of

final Indirect and Direct Costs allowable and disposition of property (only for separated/terminated recipients).

The GMS reviews the Program Income report, ensuring that Recipients expend any Program Income exceeding 25 percent of the Recipient's total budget (SBA Federal funds and Matching Funds) by year end. The GMS ensures that cost-share/match requirements are met in accordance with the award and Indirect Costs are consistent with the award. This is usually accomplished during the reconciliation process. The Payments Specialist will ensure that actual match costs are reported on the SF-270 on a 1:1 basis. The GMS also ensures that concerns related to disallowed costs are resolved and excess payments are returned. The GMS follows up with the Payments Specialist on any outstanding final SF-270 issues or concerns.

The GMS ensures that the final Federal financial and progress reports are appropriately filed and added in the grants management system. The GMS also ensures that all administrative close-out documents have been received (e.g., countersigned core award, as well as modifications).

A copy of the Checklist for SF425 Reconciliation can be found in Appendix 12.

Network Closeout

J. What is a network closeout?

A network closeout is performed when a network host is no longer with the SBDC Program and a new host is selected.

K. How is a network closeout performed?

The GMS completes the network closeout worksheet. See Appendix 14.

Please also refer to the PA for Recipient Organization Transfer Activities.

Chapter 9 Audit

Audit Requirements

Single or program-specific audits shall be performed in accordance with the requirements contained in the Uniform Guidance (see 2 CFR Part 200, Subpart F, "Audit Requirements"). The Uniform Guidance requires any non-Federal entity (i.e., non-profit organizations, including non-profit institutions of higher education and hospitals, states, local governments, and Indian Tribes) that expends Federal awards of $750,000 or more in the Recipient's fiscal year to conduct a single or program-specific audit in accordance with the requirements set out in the OMB Uniform Guidance. Applicants are reminded that OSBDC or the SBA's Office of Inspector General may also conduct an audit of an award at any time.

A. What is the Single Audit Act?

The Single Audit Act requires certain Recipients and Sub-recipients to undergo audits. OMB's guidance directs auditors to the following matters (if applicable to the award):

- Activities allowable or unallowable
- Allowable cost principles
- Cash management
- Davis Bacon Act compliance
- Eligibility of those receiving funding (Recipients, Sub-recipients, and their contractors)
- Equipment and real property management
- Matching, level of effort
- Period of availability of Federal funds
- Procurement, suspension, and debarment
- Program Income
- Reporting
- Sub-recipient monitoring

B. Who are Single Audit Act Auditors?

Most are nongovernment employees who are contracted by Recipients to audit the Recipient's execution of and compliance with their assistance agreements. They are the honest brokers who report to the Recipients and to the government on the Recipient's performance.

C. Who are Recipients?

Recipients are the persons, organizations, or state or local governments that receive assistance directly from the Federal government for the execution of the award and for the compliance with all its terms and conditions, including compliance by any Sub-recipients that they work with or contractors that they retain to carry out a function to support the execution of the Recipient's award.

D. Who are Sub-recipients?

Sub-recipients are persons, organizations, or state or local governments that receive an assistance agreement from a Recipient for the purpose of carrying out all or part of the award that the Federal agency made to the Recipient. Sub-recipients have no contractual relationship with the Federal government, only to the Recipient. However, status as a Sub-recipient usually imposes federal compliance obligations on the Sub-recipient.

E. Who Are Contractors?

Contractors are used when Recipients and Sub-recipients need to enter into contracts to carry out the purpose of the award. The Recipients contract in accordance with the standards on contracting that are contained in the SBA's portion of 2 CFR.

F. Who are Beneficiaries?

Beneficiaries are the people who benefit from the Federal assistance. They are the most important players in Federal assistance, as an issue in assistance administration is whether the Recipients have limited the expenditure of their award funding to those who are authorized to receive the assistance and not just to anyone in need.

G. What is Sub-recipient Monitoring?

It is the responsibility of the Recipient to ensure that its Sub-recipients are eligible, capable, and compliant. The agency is responsible for holding Recipients accountable for this.

H. What are internal controls?

Internal controls refer to those policies, plans, and procedures that a Recipient has in place to ensure that it manages its assistance awards efficiently and properly. OMB issues a Compliance Supplement that accompanies its audit CFR, OMB CFR A-133. The compliance supplement sets out what the auditors should be looking for. It is a valuable tool for Recipients in creating a framework for internal control.

I. Why should OSBDC have internal controls?

2 CFR Part 200, Subpart F requires Recipients to establish and maintain internal controls to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. It also requires auditors to obtain an understanding of the Recipient's internal control in order to plan the audit. The objective of internal control is, when present and operating effectively, to help ensure compliance with program requirements.

Transactions are properly recorded and accounted for in order to:

1. Permit the preparation of reliance financial statements and Federal reports
2. Maintain accountability over assets
3. Demonstrate compliance with laws, regulations, and other compliance requirements
4. Ensure that funds, property, and other assets are safeguarded against loss from unauthorized use or disposition

J. What are the components or characteristics of Recipient internal control?

The Recipient Organization's leadership is responsible for the creation of a responsible culture and environment and conducting operations ethically, as evidenced by a code of conduct or other directives. If there is a governing board, that board takes an active role in overseeing the Recipient's activities.

1. Risk Assessment
   - PMs and staff understand and have identified the organization's key compliance objectives
   - Management is aware of the results of monitoring audits and reviews and considers those in assessing the risks of noncompliance
   - Processes are established and used to implement changes in program objectives and procedures as needed
2. Control Activities
   - Operating policies and procedures are clearly written and communicated
   - Procedures to implement changes in laws, regulations, guidance, funding agreements, and contracts that affect the Recipient's Federal awards
   - Management does not approve of deviating from established controls
   - Segregation of duties among performance and record-keeping personnel
   - Data entry controls, edit checks
   - Exception reporting
   - Reviews of input and output data
   - Equipment inventory
3. Monitoring Activities

- Reconciliations
- Management reviews of reports
- Periodic site visits
- Follow up on irregularities and deficiencies to determine causes and effect solutions
- Internal quality control reviews
- Management interface with program monitors, auditors, and reviewers to evaluate the status of programs and controls
- Internal audits routinely test for compliance with Federal requirements

K. Can Recipients use Sub-recipients and/or make sub-awards?

Yes. Recipients are those who receive an assistance award directly from SBA and may engage the support of other parties in the execution of the award in one of two ways. In one way, the Recipient grants money to another non-Federal entity, a "Sub-recipient," to join with the Recipient in pursuing the accomplishments of the grant.

L. Who is responsible for execution of the award?

Recipients are always solely responsible to the government for the execution of the award. Therefore, Recipients are responsible for the Sub-recipient's accomplishment of the grant purposes and for complying with the same award terms and applicable Federal laws, rules, and regulations that apply to the Recipient.

M. What are the duties and responsibilities of the Recipient?

Recipients are responsible, without recourse to the SBA, for the settlement and satisfaction of all contractual and administrative issues arising out of the contracts they enter into, including revising or litigating any Disputes, claims, protests, or other complaints regarding contractual matters. No Recipient's employees can participate in the selection, award, or administration of a contract that is supported by Federal funds if an apparent conflict of interest would be involved. A Recipient's employees may not solicit or accept gratuities, favors, or anything of monetary value from contractors or parties to sub-agreements. The Recipient's procurement standards of conduct must provide for disciplinary action when its employees violate the rules.

N. What are the Sub-recipients' duties and responsibilities?

Sub-recipients are required to abide by the same terms and conditions as their Recipients. Therefore, it is important that Recipients craft their sub-award agreements with their Sub-recipients in order to flow down all applicable requirements to insure that they have effective contractual control over and legal remedies against their Sub-recipients.

O. What is the difference between a sub-award and a contract?

A sub-award is an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program. A sub-award may be provided through any form of legal agreement, including an agreement that the pass-through entity considers a contract.

A contract is a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this part does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or sub-award. Whether the non-Federal entity receiving funds from the Recipient is a Sub-recipient or a contractor is important for several reasons, including whether or not the rules of contracting procedures apply to the Recipient in selecting the non-Federal entity and whether the non-Federal entity receiving the funds is subject to an audit under 2 CFR Part 200, Subpart F. The distinction is that payments for goods or services are to a contractor, while payments to execute the award are to a Sub-recipient.

An auditee may be a Recipient, a Sub-recipient, or a vendor. Federal awards expended as a Recipient or Sub-recipient would be subject to audit. The payments received for goods or services provided as a vendor would not be considered Federal awards.

P. What are the characteristics of a sub-award?

- The Recipient determines the Sub-recipient's eligibility for award under assistance criteria
- Recipient has its program or performance measured by the awarding agency, taking into account the performance of the Sub-recipient
- The Sub-recipient partners with the Recipient in programmatic decision making
- The Sub-recipient has responsibility for adherence to the applicable Federal program compliance requirements
- The Sub-recipient uses the Federal funds to carry out the Recipient's program, as compared to merely providing goods or services to the Recipient

Q. What are the characteristics of a contract?

- Contractor provides the goods and services in the course of its normal business hours to many different purchasers
- Contractor operates in a competitive, for-profit environment
- Contractor provides goods or services that are secondary to the operation of Recipient's award

- Recipient does not treat the contractor as being subject to the assistance award or program compliance requirements

Audits of Recipient Monitoring of Sub-awards

R. What is a Control Environment?

Control Environments do the following:

1. Establish a culture of leadership commitment to monitoring Sub-recipients
2. Enforce its established procedures for monitoring Sub-recipients
3. Ensure that it has the necessary information to monitor Sub-recipients
4. Dedicate sufficient resources to Sub-recipient monitoring
5. Ensure Sub-recipient demonstrates that they are willing and able to comply with the requirement of the award
6. Maintain the internal knowledge, skills, and abilities to effectively monitor Sub-recipients
7. Have accounting systems, including the use of applicable cost principles and internal control systems, adequate to administer the award
8. Take appropriate actions in response to Sub-recipient noncompliance

S. What is a Risk Assessment?

Risk Assessments do the following:

1. Ensure that key managers understand the Sub-recipient's environment, systems, and controls sufficiently to identify the level and methods of required monitoring

   Establish mechanisms to identify risks arising from external resources affecting Sub-recipients, such as risks related to economic conditions; regulatory changes; unreliable information; financial problems that could lead to diversion of grant funds; loss of essential Sub-recipient personnel; loss of license or accreditation to operate a program; rapid growth that exceeds resources or capabilities; new activities, products, or services; or organizational restructuring

T. What are Control Activities?

Control Activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

Control activities do the following:

1. Identify to the Sub-recipient the Federal award information (CFDA title and number, award name, name of Federal agency, amount of award) and applicable compliance requirements.
2. Include in their sub-awards the requirement to satisfy all the compliance requirements to the Federal program, including the audit requirements of 2 CFR Part 200, Subpart F.
3. Ensure the Sub-recipient's compliance with audit requirements.
4. Determine by inquiry and discussion whether the Sub-recipient met thresholds requiring an audit under A-133.
5. Take appropriate action, such as withholding further funding until the Sub-recipient meets the audit requirements.
6. Maintain a system to track and follow up on reported Sub-recipients and make appropriate inquiries of the Sub-recipient concerning the Federal program.
7. Review Sub-recipient reports and follow up on areas of concern.
8. Monitor Sub-recipient's budget.
9. Perform site visits to Sub-recipients to review financial and programmatic records and observe Sub-recipient operations.
10. Offer Sub-recipients technical assistance as needed.

Chapter 10 Associate Administrator for SBDCs

What are the AA/SBDC's responsibilities?

1. Establishes the national program policies, procedures, strategic plans, program reviews, coordination, evaluation, and information systems and develop the annual SBDC PA (the program's "Request for Proposal"). In establishing national program policy, the AA/SBDC should consult, to the extent practicable, with the Association of SBDCs.
2. Administers the national SBDC budget, including the establishment of individual funding levels in accordance with the statute, the final approval of annual funding requests, and any supplemental funding requests.
3. Provides program priorities to the field in conjunction with the Office of Field Operations.
4. Resolves programmatic and financial Disputes and problems pursuant to SBA's Disputes resolution policy found in 13 CFR Part 130.630(b). The AA/SBDC may assume oversight of the SBDC. The AA/SBDC is not subject to the approval or concurrence of Administration officials in the area served by the SBDC. The AA/SBDC may reassign oversight responsibilities to the District Office after the Dispute has been resolved.
5. Reassigns PO responsibilities to the OSBDC in extreme circumstances.
6. Administers the Agency's examination process for the review of SBDC operations.
7. Reviews and approves SBDC budgetary proposals; issue SBA Cooperative Agreements, budget revisions, and modifications; and coordinate all grant termination and suspension actions.
8. Coordinates inter-agency programs and technical assistance efforts with other Federal agencies at the national level.
9. Acts as primary spokesperson, will coordinate with the AA/OED to make sure information and messaging is consistent with priorities set forth by the Administrator for the SBDC Program, and develop and provide national program information to SBA field offices, SBDC State/Regional Directors, congressional offices, OMB, and/or other organizations upon request.
10. Interprets legislative changes in conjunction with the Office of General Counsel.
11. Oversees the SBDC National Advisory Board. The Board consists of three members from universities and their affiliates and six members from small businesses or associations representing small businesses. The National SBDC Advisory Board advises and confers with SBA's AA/SBDC on policy matters pertaining to the SBDC Program. The recruitment or renewal of new board members is lead by the Office of the Administrator. The AA/SBDC will assist as needed in that process.
12. Oversees the SBDC National Clearinghouse.
13. Performs ongoing nationwide SBDC Program reviews.
14. Requests and responds to program and financial audits.
15. Serves as SBA's liaison with the Association of SBDCs.
16. Works with the AA/OED to designate new SBDCs.

17. Develops and provides Training to SBA field personnel responsible for SBDC operations.
18. Designs and implements a biennial schedule of program/financial examinations of the SBDC.

Chapter 11 Program Manager Responsibilities

What are the PM's responsibilities?

The PM is responsible for the performance management of each assigned SBDC Network, providing advice, assistance, and oversight. Specifically, the PM:

1. Oversees the negotiation of annual goals for SBDCs with SBA District Offices and SBDC State/Regional Directors and renegotiates, as appropriate.
2. Reviews scopes of work and requests for proposals (RFPs) on an annual and recurring basis and manages the technical review process for renewal of annual Recipients.
3. Manages policy for program(s) and prepares necessary policy proposals for AA/SBDC review and approval.
4. Oversees the collection and analysis of reporting data from grant recipients, provides success stories to be kept on file with the immediate office, and interprets the data in relation to the delivery and success of the SBDC Program.
5. Interprets policy and reviews SBDC activities for effectiveness, legality, and compliance.
6. Encourages the SBDC to provide specialized services, to seek and secure private sector funding for match, and to ensure vigorous SBDC Program delivery in general.
7. Prepares and makes presentations at conferences regarding SBA's SBDC Program.
8. Develops and manages performance measurements for the program and subsequent collection of information for reporting performance data.
9. Collects, analyzes, and assimilates information from grantees regarding achievements relative to their activities/services, required or otherwise, for use in assessing performance, network profiling, press releases, congressional briefings, etc.
10. Provides guidance and advice on SBA approved program policies and procedures to the SBDC State/Region Directors, university officials, and SBA field staff.
11. Coordinates with SBA District Offices and SBDC offices to plan, organize, and execute biennial programmatic site visits.
12. Trains the PO on their roles and responsibilities regarding the SBDC Program.
13. Conducts biennial program reviews of SBDCs and prepares a report for the AA/SBDC, Host Institution, ASBDC, District Director, Regional Director and State Director (to be posted on the shared drive for future reference) which includes, but is not limited to:
    a) Analyzing goals against outcomes
    b) Analyzing financial examination reports
    c) Analyzing annual, semi-annual, and quarterly narrative reports
    d) Identifying SBDC events and initiatives for inclusion
    e) Identifying areas of innovation and creativity

14. Identify award recipients and forward those parties to senior OSBDC leadership where abuse of Federal programs is suspected. Potential enforcement can include, suspension, debarment, recapture, or fraud remedies.

Chapter 12 Financial and Grants Management Roles and Responsibilities

A. What are the Financial Program Analyst's responsibilities?

1. Manages, monitors, and oversees all budgetary matters involving the OSBDC and grantees.
2. Accesses the agency's financial system to commit and re-commit funds as necessary.
3. Reviews the agency's financial system to ensure funding commitments and obligations are accurate and complete and to verify the accurate maintenance of the SBDC spending rates.
4. Manages and performs a complex, statutorily-required funding formula for the establishment of the annual funding of the SBDCs, using data based on a state-by-state population census.
5. Prepares documents and recommends approval for all grant funding allocations.
6. Develops policy for the oversight and direction of the establishment of financial operations for the OSBDC, including budgetary commitments. Develops procedures to improve processes for office operations.
7. Monitors the open obligations report to close past FY funding obligations and agreements in accordance with prescribed directives. Prepares various reports. Analyzes highly complex problems and makes decisions and/or recommendations to insure office operational and budgetary success in compliance with laws, regulations, and Agency policy. Develops and implements standards to effectively strengthen Office operations by accomplishing the work of the organization, ensuring the Agency's, mission, vision, and values are followed.
8. Serves as Contracting Officer Representative (COR) for the SBDC Accreditation Reviews contract. Assists the Contract Officers with the negotiation for contract terms. Reviews, approves, and tracks the invoices for this contract.

B. What are the responsibilities of the GMS?

1. Serves as an Agency Official for the OSBDC and commits the Agency to certain actions within delegated authority of the AA/SBDC, as appropriate. This includes, but is not limited to, making final decisions regarding budgets, auditing reports, assisting the Program Official in monitoring awards, and ensuring that all actions are in accordance with applicable directives and regulations.
2. Reviews Federal Assistance Application (SF-424) and proposals for completeness and compliance with program and legislative requirements.
3. Conducts price and/or cost analysis on annually proposed SBDC budgets, documenting findings for use during negotiations or for use in determining appropriateness of award.
4. Completes Memorandum of Negotiation for each proposal.
5. Prepares and issues Notices of Award to the SBDCs after AA/OSBDC approves the Notice of Award.
6.
7. Reviews financial reports and final requests for payment, taking action as Grants Management Officer; accesses the agency's financial management system and reviews the system to ensure

funding of commitments and obligations and to ensure the accurate maintenance of the SBDC's financial accounts.

8. Provides technical assistance to the SBDCs throughout the year regarding financial components of legislation, regulations, policy, PA, and notices of award; analyzes any problems and situations that may arise, making decisions and/or recommendations to insure SBDC Program success and compliance with laws, regulations, and Agency policy.
9. Completes year-end financial reconciliation and completes the year-end reconciliation worksheet.
10. Manages annual close-out, including but not limited to negotiation of final Indirect and Direct Costs allowable.
14. Identify award recipients and forward those parties to senior OSBDC leadership where abuse of Federal programs is suspected. Potential enforcement can include, suspension, debarment, recapture, or fraud remedies.

Chapter 13 District Director Responsibilities

A. What is the role of the District Director (DD) in the designation of an SBDC Project Officer?

The DD must nominate a person to serve as the SBDC Project Officer. The DD should send the nomination to the OSBDC. The AA/SBDC makes the appointment and sends a letter of appointment to the district office. The SBDC Project Officer serves as the Agency's technical representative.

B. What is the DD's role in the recruitment process for a State/Regional SBDC Director?

The Recipient Organization must notify the SBA DD when the SBDC State/Regional Director plans to resign or when a new SBDC State/Regional Director is to be selected. A new SBDC State/Regional Director should be selected as soon as possible. An acting SBDC State/Regional Director can be appointed (by the Host) until a new SBDC State/Regional Director is selected.

The SBA DD will encourage the Recipient Organization to search for a new SBDC State/Regional Director as extensively as possible to obtain the most highly qualified candidates. The Recipient Organization must provide the DD with an SBDC State/Regional Director Recruitment Plan. The DD, in conjunction with the PM, approves or disapproves the SBDC State/Regional Director Recruitment Plan. The DD will authorize the recruitment via a written notice of concurrence.

C. What is the DD's role in the selection process for a State/Regional SBDC Director?

The DD provides written concurrence prior to the approval of the new SBDC State/Regional Director. Upon receipt of this concurrence the Recipient Organization may move forward with hiring the selected candidate. In multi-district states, all DDs must provide their written concurrence prior to the approval of the new SBDC State/Regional Director. Upon receipt of these concurrences the Recipient Organization may move forward with hiring the selected candidate.

If the DD objects to the final candidate selected, then the DD must provide a written copy of their objection to the Recipient Organization, the Regional Administrator (RA), and the AA/SBDC within 10 business days. The objection must set forth the relevant selection criteria that the DD believes the candidate fails to meet.

Upon receipt of a written objection, the AA/SBDC will conduct a fact-finding effort with the appropriate parties including the Recipient Organization, the RA, and the DD to review the reason(s) for the objection. The AA/SBDC in consultation with the AA/OED will make the final determination within 15 business days of receipt of the DD's objection.

A Dispute between the Recipient Organization and the SBA DD(s) will be resolved through the Programmatic Dispute Resolution process outlined in 13 CFR Part 130.630(b).

D. How does the DD obtain SBDC assistance to help the District Office meet its goals?

The DD is responsible for making sure the PO is aware of the District Office's goals and has input into the District's marketing plan. The DD must work with the PO to determine how the SBDC can work most effectively with SBA to meet the District Office's established goals.

E. What is the DD's responsibility with regard to approval of the final SBDC proposal?

The DD signs a letter of concurrence and submits the letter to the AA/SBDC with the annual SBDC proposal. In multi-district offices, all DDs must provide their written concurrence prior to approval of the proposal.

F. How can the DD serve as an Advocate for the SBDC Program within the District?

When appropriate, the DD should include the SBDC Program and its accomplishments in presentations within the district.

G. What is the DD's role in monitoring the SBDC and resolving problem situations?

The DD has responsibility for overseeing the PO in monitoring the SBDC to ensure that the SBDC conforms to the Cooperative Agreement. When problems develop, the DD must attempt to resolve the problems at the local level.

H. What must the DD do if the District Office intends to disapprove the SBDC's Renewal Application?

The DD should notify the SBDC Director and any other appropriate official of the Recipient Organization that the District Office does not intend to approve the renewal Application when there is sufficient evidence of SBDC non-performance, poor performance, or unwillingness to implement changes to improve performance, under the terms of the Cooperative Agreement or Federal Regulations. See chapter 12 for suspension, termination, or non-renewal procedures.

Chapter 14 Project Officer Responsibilities

A. What are a Project Officer's (PO) overall responsibilities?

The AA/SBDC delegates compliance responsibilities to the PO at the SBA district office for the local SBDC. A PO acts as the liaison between the SBDC, the SBA, and other resources. The PO monitors the SBDC to ensure compliance with the Cooperative Agreement. The results of compliance monitoring are reported to the OSBDC by the PO.

B. What are the PO's programmatic responsibilities?

The PO must:

1. Ensure that other SBA district or branch office personnel involved with the SBDC participates in the review of the annual proposal. If multiple district offices are in the geographic area of the SBDC, all of the DDs in those offices must agree that the proposal is complete before forwarding the Letter of Support to OSBDC.
2. Ensure the SBDC coordinates with other SBA programs and resource partners.
3. Ensure the SBDC responds to the local needs of the community, SBA priorities, special initiatives, and legal and program policy guidelines.
4. Meet with the Lead SBDC Director to discuss proposed activities/goals.
5. Check the proposal for accuracy and ensure that the Application/proposal package includes all appropriate attachments.
6. Inform OSBDC of any potential problem areas.
7. Prepare a concurrence or non-concurrence memo for the signature of the DD(s).
8. Forward the completed proposal checklist and Letter of Support to the AA/SBDC, within the time frame specified by OSBDC.
9. Conduct a specific review of the SBDC proposal.

C. How does the PO review the SBDC proposal?

In reviewing the SBDC proposal for a one-year renewal, the PO completes the Proposal Review Checklist (See Appendix 1).

D. What are the monitoring responsibilities of the PO?

The primary responsibility of the SBDC PO is to monitor the SBDC Program to ensure compliance in the use of Federal funds. The SBA PO should:

1. Ensure SBDC activities are responsive to SBA national and local priorities and comply with the law, Federal Regulations, the PA, the Cooperative Agreement, and SBA policy
2. Conduct yearly monitoring of the Lead SBDC. Make site visits at least once every other year to all service delivery locations (site visits may be delegated to other SBA field staff). Ensure that

SBDC activities are responsive to SBA national and local priorities and conform to the requirements of the law, the Federal Regulations, the PA, and the Cooperative Agreement. Note: 2 CFR Part 200, Subpart F requires SBDCs to make all records available to SBA for review upon request.

3. Ensure SBDCs do not compete and make every effort to avoid the appearance of competition with the private sector.
4. Ensure SBDC locations are suitable. Client delivery locations must be readily accessible and provide adequate parking for Clients. Make sure there are signs identifying the location of the SBDC. Check to see that the SBA/SBDC partnership logo is prominently displayed at the front of each office. Lead SBDCs and other SBDC service center locations must maintain publicly listed telephone numbers with separate SBDC telephone lines.
5. Review and analyze reports.
6. Review Client files. Client files should not remain open more than 120 days without a documented follow-up review or Counseling session.
7. Review Training and Counseling activities. A supporting SBA Form 888, "Management Training Report," (Appendix 11) or its equivalent must be available for each Training activity entered into the EDMIS system. The SBDC should attach to SBA Form 888, or its equivalent, a brochure or announcement of the Training, a list of registered participants, their addresses, and individual Training evaluations from the attendees.
8. Ensure that the SBDC is providing all services on a non-discriminatory basis and not excluding individuals from a program because of race, color, religion, sex, age, disability, or national origin. The SBDC must hold SBDC-sponsored programs in handicapped-accessible locations and must make reasonable accommodations upon request for visually- and hearing-impaired attendees.
9. Ensure that any publication generated by an SBDC, whether copyrighted or not, includes an acknowledgment of support by SBA and the Cooperative Agreement number. Publications produced by the SBDC should promote SBDC services and provide information of direct benefit to the local small business community served by the SBDC. This includes newsletters, Training brochures, etc.
10. Review the SBDC's fees for service. An SBDC may charge Clients a reasonable fee to cover the cost of Training (sponsored or co-sponsored by the SBDC), the sale of books, the rental of equipment or space, research work or other specialized services, or the costs of services provided or obtained by third parties. An SBDC may not charge fees for Counseling; however, an SBDC may charge Clients a fee to cover the cost of non-Counseling services provided by or obtained from third parties, or the cost of providing specialized services (i.e., running a computer search, retrieval of information, or providing a printout to an SBDC Client).
11. Recommend specific actions to strengthen/improve the program to the PM.
12. Provide prior recommendation when required.
    - The PO must recommend approval of the transfer of funds for the purchase of equipment or additional official out-of-state travel if the SBDC did not include funds in the approved budget.

- The PO's recommendation is also necessary for the carryover of unobligated Federal funds from one Budget Period to another for non-recurring, non-severable, bona fide needs of the SBDC Network as provided in OMB CFRs, 13 CFR Part 143, and the annual SBDC PA.

13. Serve as a liaison.
    - The PO is the liaison between the SBDC, SBA, and other resources.
    - The PO is responsible for informing the SBDC of any changes to policy or legal decisions affecting the program.
14. Distribute reports. The SBDC should email the performance report to the PO. If the report is complete, email the report, accompanied by the Grants/Cooperative Agreement Monitoring Statement, to the PM in OSBDC. A copy is retained for the district office file. This statement should include the PO's assessment of the program's compliance, resulting from findings during oversight visits and reviews.

E. What are the PO's financial responsibilities?

1. Review the budget portion of the SBDC proposal.
2. Review the costs proposed in the budget Application of the SBDC proposal as well as subsequent programmatic and budget revisions and/or amendments. The PO should have a general working knowledge of the documents that apply to the administration of grants and the costs the SBDC may charge to the grant. Principles for determining allowable costs are contained in 2 CFR Part 200.
3. Complete the Proposal Review Checklist provided by OSBDC. See Appendix 1.

Chapter 15 Host/Recipient Responsibilities

What are the Host/Recipient's responsibilities?

1. Encourage the SBDC to maximize efforts to leverage SBA funding by coordinating their activities and working to expand the scope and reach of their project, in collaboration with entities such as SBA's District Offices; other federal, state, local, and tribal government agencies; other SBA grant Recipients/resource partners (SCORE, WBCs); trade associations; business/industry groups; institutions of higher education; and/or private organizations. Additionally, Recipient Organizations should note the availability of any non-award funds and/or in-kind resources that will be pledged to the performance of their projects.
2. Promote an inclusive vision of entrepreneurship--one that draws entrepreneurs of all demographics, backgrounds, and locations into the SBDC for business assistance.
3. Ensure that federal funds are matched on a 1:1 ratio. Nonfederal Matching Funds may take the form of cash or cash equivalent, in-kind donations provided by a third party, or unreimbursed Indirect Costs (i.e., waived Indirect).
4. Provide efficient and effective oversight to the SBDC Lead Center.

Chapter 16 SBDC State/Regional Director Responsibilities

A. What are the SBDC State/Regional Director's responsibilities as described in the regulations?

The responsibilities of SBDC Directors are found in 13 CFR Part 130.350(b). The regulation states:

The SBDC Director shall direct and monitor program activities and financial affairs of the SBDC Network to deliver effective services to the small business community, comply with applicable laws, regulations, OMB CFRs and Executive Orders and implement the Cooperative Agreement. The SBDC Director has authority to control expenditures under the Lead Center's budget. SBDC Directors may manage other programs in addition to the SBDC Program if the programs serve small businesses and do not duplicate the services provided by the SBDC Network. However, SBDC Directors may not receive additional compensation for managing these programs. The SBDC Director shall serve as the principal contact point for all matters involving the SBDC Network.

B. How is the SBDC State/Regional Director's position described?

The SBDC State/Regional Director position is full time. When located in an academic setting, the SBDC State/Regional Director is accountable directly to an official at a Dean's level or higher of the academic institution. In a non-academic setting, the SBDC State/Regional Director is accountable to a position equivalent to that of the office responsible for small business development within the state and must be a career, nonpolitical appointment. The SBDC State/Regional Director's position shall be the highest management position established within the SBDC organization unless it can be clearly shown that a higher position is necessary and would directly further SBDC Program objectives. The SBDC State/Regional Director serves as the principal contact point for all matters involving the SBDC Network. An SBDC State/Regional Director:

1. Manages the Lead SBDC and its other service delivery locations.
2. Develops SBDC implementation plans and oversees program development.
3. Controls and is accountable for the budget, including procurements, sub-grants, contractual arrangements in accordance with applicable OMB CFRs, uniform administrative requirements, cost principles, Federal and FAR regulations, and state and local audit requirements as outlined in the Cooperative Agreement.
4. Manages the cash account allocated to the SBDC Program, as well as the SBDC budget.
5. Allocates funds to the SBDC Network.
6. May contract directly or indirectly with other SBA program offices, government agencies, or the private sector to perform SBDC-related activities, provided that these activities do not duplicate those included in the Cooperative Agreement or negatively affect the milestones established for the SBDC. The Director must ensure that complete programmatic and financial records are kept for other activities to ensure a clear audit trail.
7. Serves as an advocate for the SBDC Program, with responsibility for all promotion and public relations activities.
8. Solicits resources for the SBDC. These resources may include funds, employees, equipment, etc.

9. Resolves major problems that arise as the result of SBDC activities. When appropriate, the Director consults with SBA's PO and/or DD.

10. Coordinates with the Recipient Organization and other economic development organizations and programs, as well as SBA's economic development programs, as appropriate to extend services and avoid duplication of effort.

11. Monitors SBDC Network activities, conducts internal evaluations, and manages internal quality control.

12. Ensures that the Lead SBDC Center maintains, and requires each service provider to maintain, detailed, complete, and accurate Client activity files. SBDC service providers must also maintain records and supporting materials required for a Lead and Sub-center audit. Furthermore, the Director must require each of the service providers to maintain detailed financial records in accordance with OMB CFRs and the SBDC PA.

13. Maintains financial, programmatic, and all other records pertinent to the award for a period of three years from the date of submission of the Federal Financial Report (SF-425). The only exceptions are: (1) when there is any litigation, claim, or audit started before the expiration of the three-year period, the SBDC involved must retain its records until the Agency has resolved and taken final action on all litigation, claims, or audit findings involving the records; (2) records for real property and equipment acquired with federal funds must be retained for three years after final disposition.

    Note: Because SBDCs are required to maintain records for a period of three years and the SBDC State/Regional Director may not retain his/her position for the entire retention period, it is the responsibility of the Recipient Organization and the service provider Hosts to ensure that these records are maintained for SBDC Network audits.

14. Establishes standards of conduct procedures throughout the SBDC Network to prevent conflict of interest situations and/or the appearance of conflict of interest. These procedures must cover all SBDC Employees, volunteers, and/or consultants who provide services under the Cooperative Agreement with SBA.

15. Establishes an SBDC state/regional advisory board to advise, counsel, and confer with him/her on matters pertaining to the operation of the SBDC. The majority of the board must be representatives from small businesses or associations representing small businesses. Board members must be from the entire area of service.

    New SBDC Lead Centers must establish a state/regional SBDC advisory board no later than the second Budget Period. The reasonable cost of travel of any board member for official board activities may be paid out of the SBDC's budgeted funds.

    The other SBDC service delivery directors may elect to establish a local advisory board to advise, counsel, and confer on the operation of their respective center.

16. Ensures that all audit findings from audits conducted in accordance with the Single Agency Audit Act of 1984, as amended, (31 U.S.C. 7501-7) are resolved. These audits must be made by an independent auditor in accordance with generally accepted Government Auditing Standards covering financial and compliance audits.

Chapter 17 Application and Renewal Process

What should one know about funding the SBDC Program?

1. **National Funding**. Congress provides funding for the national SBDC Program through an annual appropriation in SBA's budget. Federal funding allocations are based on a population formula which stipulates the maximum Federal dollars a particular SBDC can receive. Each year, SBA provides no more than 50 percent of the cost of each state program, with the remainder comprised of state, local, and private matching dollars.
2. The SBDC funding formula is statutorily mandated and can be found in the Small Business Act, Section 21 4(C).
3. **State/Regional Funding**. The AA/SBDC is responsible for recommending the annual program budget, reviewing the annual budgets submitted by each applicant, and establishing appropriate funding levels. Under the Cooperative Agreement, the Agency provides funds to the Recipient Organization. Subsequently, the Lead SBDC allocates these funds to the other SBDC service delivery locations in accordance with the budget approved by SBA. No Recipient shall receive an SBDC grant exceeding its pro rata share of all SBDC grants, as determined by the statutory formula.

Chapter 18 Process for Establishing a New SBDC Network

A. What is the process for establishing a new SBDC Network?

While it is the Agency's intention to fund continuing SBDC applicants annually, in those situations where SBA solicits a new Application from an academic institution to sponsor an SBDC in a specific state or region (i.e., as the result of a withdrawal or termination), the following procedures apply:

1. The SBA District Office contacts the OSBDC immediately to inform them of the possibility of a new SBDC Application.
2. SBA writes a new PA specifically for that network and posts it to Grants.gov.
3. SBA determines which Applications are eligible; ineligible Applications receive no consideration and do not receive further communication from the SBA.
4. The SBA holds a bidders' conference for prospective Applicants.
5. PMs evaluate submitted Applications and makes recommendation to AA/SBDC.
6. DD also offers his/her recommendation based upon which proposal most closely responds to the needs of the state/regional small business community.

   The Objective Review Committee reviews all proposals and makes a recommendation to the AA/SBDC.
7. AA/SBDC selects successful Applicant.
8. SBA notifies successful Applicant of its selection.
9. SBA notifies others of their non-selection.

B. What is a bidders' conference?

The bidders' conference is a meeting between the SBA and prospective Applicants. The meeting is held to inform prospective Applicants of the Application process and to answer questions they may have.

Chapter 19 Dispute Resolution Procedures

How are financial and/or programmatic Disputes between the Agency and a Recipient Organization resolved?

The procedures for resolving financial and programmatic Disputes are found in 13 CFR Part 130.630. Two notations are as follows:

(b)Programmatic (non-financial) Disputes.

(1) If a programmatic Dispute is not resolved at the SBA District Office level, the Recipient Organization may request its submission to the next SBA administrative level having authority to review such matter. The PO shall refer the Dispute in writing, including comments of the SBDC Director, within 15 calendar days of receipt of the request. [NOTE: THE NEXT SBA ADMNISTRATIVE LEVEL HAVING AUTHORITY TO REVIEW SUCH MATTER IS GENERALLY THE SBA REGIONAL ADMNISTRATOR.]

(2) If the programmatic Dispute is not resolved at an intermediate SBA administrative level within 15 calendar days of receipt thereof, it shall be forwarded, in writing, to the AA/SBDCs for final resolution. All comments of the SBDC Director must be included in any package forwarded to the AA/SBDCs. [NOTE: THE AA/SBDC MAY APPOINT AN ADVISORY PANEL CONSISTING OF AN SBA PO AND AN SBDC STATE/REGIONAL DIRECTOR. BOTH SHOULD BE EXPERIENCED AND NOT FROM THE GEOGRAPHIC AREA OF THE PROGRAMMATIC DISPUTE. THE ADVISORY PANEL WILL BE REQUIRED TO SUBMIT A WRITTEN RECOMMENDATION TO THE AA/SBDC FOR CONSIDERATION.]

Chapter 20 Suspension, Termination, and Non-Renewal of the Cooperative Agreement

How does the SBA Suspend, Terminate, or Deny renewal of an SBDC Cooperative Agreement?

The procedure for suspension, termination, or non-renewal of a Cooperative Agreement is found in 13 CFR Part 130.700.

(a)General. *After SBA has entered into a Cooperative Agreement with a recipient organization, it shall not suspend, terminate or fail to renew the agreement unless SBA gives the recipient organization written notice setting forth the reasons and affording the recipient organization an opportunity for a hearing. Subject to this requirement and the provisions of §13 CFR Part 130.700(c) regarding non-renewal procedures for non-performance, the applicable general procedures for suspension and termination are contained in 13 CFR Parts 143.43 and 143.44, and in OMB Circular A-110, Attachment L.*

(b)Causes. *Causes which may lead to suspension, termination, or failure to renew include non-performance, poor performance, unwillingness to implement changes to improve performance, or any of the following reasons:*

(1) Disregard or material violation of these regulations;

(2) A willful or material failure to perform under the Cooperative Agreement or under these regulations;

(3) Conduct reflecting a lack of business integrity or honesty;

(4) A conflict of interest causing real or perceived detriment to a small business concern, a contractor, the SBDC or SBA;

(5) Improper use of Federal funds;

(6) Failure of a Lead Center or its subcenters to consent to audits or examination or to maintain required documents or records;

(7) Failure of the SBDC Director to work at the SBDC Lead Center on a full-time basis;

(8) Failure promptly to suspend or terminate the employment of an SBDC Director, subcenter Director or other key employee upon receipt of knowledge by the recipient organization and/or SBA that such individual is engaging in or has engaged in conduct resulting in a criminal conviction or civil judgment which would cause the public to question the SBDC's business integrity, taking into consideration such factors as the magnitude, repetitiveness, harm caused and remoteness in time of the activity or activities underlying the conviction or judgment.

(9) Violation of the SBDC's standards of conduct as specified in these rules and as established by the SBDC pursuant to these rules; or

(10) Any other cause not otherwise specified which materially and adversely affects the operation or integrity of an SBDC or the SBDC program.

(c)Non-Renewal Procedure.

(1) Subject to 13 CFR Part 130.700(a), when an SBA District Director believes there is sufficient evidence of SBDC nonperformance, poor performance or unwillingness to implement changes to improve performance, under the terms of the Cooperative Agreement or these regulations, the District Director shall notify the SBDC Director and any other appropriate official of the recipient organization of an intention not to approve its renewal application.

(2) Notice can be submitted at any time during the budget period, but normally should be sent no later than 3 months prior to the due date for renewal applications at the District Office.

(3) The notice shall specifically cite the reasons for the intention not to renew. It must allow the recipient organization 60 days within which to change its operations to correct the problems cited in the notice, and to report to the Project Officer, in writing, regarding the results of such changes.

(4) If the recipient organization is unwilling or unable to address the specific problem areas to the satisfaction of the SBA District Office within the 60-day period, the SBA Project Officer shall have ten (10) calendar days after expiration of the 60 days to submit to the AA/SBDCs a written description of the unresolved issues, a summary of the positions of the District Office on the issues, and any supportive documentation.

(5) The AA/SBDCs shall transmit a written, final decision to the recipient organization, the SBDC Director, the SBA Project Officer and other appropriate SBA field office personnel within 30 calendar days of receipt of such documentation, unless an extension of time is mutually agreed upon by the recipient organization and the AA/SBDCs.

(6) The AA/SBDCs shall consider written documentation of the issues to be resolved, including all relevant correspondence between the Project Officer, District Director and any other SBA personnel and the affected recipient organization. At a minimum, such documentation shall commence with the first written notice of issues invoking the non-renewal procedure. In addition, the AA/SBDCs also may communicate with the recipient organization and appropriate SBA personnel.

(7) If the AA/SBDCs determines that the evidence submitted establishes nonperformance, ineffective performance or an unwillingness to implement suggested changes to improve performance, the AA/SBDCs shall have full discretion to order non-renewal of the SBDC. The SBA District Office shall then pursue proposals from other organizations interested in applying for SBDC designation. The incumbent SBDC shall have until the end of the budget period or 120 days, whichever is longer, to conclude operations and to submit close-out documents to the SBA District Office. Close-out procedures shall conform with applicable OMB Circulars.

(d)Effect of action on subcenter. *If competing applications are being accepted, a subcenter of the previously funded recipient organization may apply for designation as the recipient organization, so long as the subcenter was not involved in the conduct leading to non-renewal or termination of the former recipient organization.*

Chapter 21 Examinations and Certification

A. What does one need to know about Examinations and Certifications?

The Small Business Act, 15 USC 21(k), established the "Examination and Certification" functions. The amendment directs SBA to consider the results of the program examination and certification when extending or renewing an SBDC Cooperative Agreement.

The overall objective of these examinations is to strengthen the SBDC Program. These examinations are to ensure:

1. The accuracy of reported financial and management data.
2. That costs incurred and claimed are reasonable, allowable, and allocable.
3. Compliance with program policies, operating procedures, applicable laws, and regulations.
4. The network is operating in an effective and efficient manner.

SBA will consider the results of the program examinations and certifications in extending or renewing the Cooperative Agreement of an SBDC.

B. What is the SBDC Accreditation process?

SBA may provide funding the ASBDC or official organization representing the SBDCs for the purpose of developing an SBDC certification program. The SBA Omnibus Appropriations Act for FY 1997 strengthened the certification process by stipulating that after September 30, 2000, SBA will not renew or extend any Cooperative Agreement unless the center has been certified. However, the AA/SBDC may waive this requirement if - based on the facts and circumstances – he/she determines that the center is making a good faith effort to obtain certification.

The SBA does provide financial support for the SBDC Accreditation process. OSBDC contracts with the America's SBDC, which performs 13 – 15 accreditation reviews annually on existing SBDC Networks.

The Accreditation cycle occurs every five years for each SBDC. The Accreditation review process used is based on the Baldridge Criteria for Performance Excellence. America's SBDC Accreditation Committee produces draft and final reports that are sent to the AA/SBDC for final review.

Appendices (in order of appearance)

Appendix 1: Proposal Review Checklist

Appendix 2: Memorandum of Negotiation and Cost/Price Analysis

Appendix 3: SBA Form 1222 – NOA

Appendix 4: Standard Form 270 – Request for Advance or Reimbursement

Appendix 5: Standard Form 270 – Certification Statement

Appendix 6: Payments Policy

Appendix 7: Match Requirements Policy for Protectorate Areas (Insular Areas)

Appendix 8: Grants and Cooperative Agreement Carryover Funds Policy and Procedures

Appendix 9: Grants and Cooperative Agreement Supplemental Funds Policy and Procedures

Appendix 10: SBA Form 641 – Request for Counseling

Appendix 11: SBA Form 888 – Management Training Report

Appendix 12: Standard Form 425 - Reconciliation Checklist

Appendix 13: Annual Closeout Instructions

Appendix 14: Network Closeout Worksheet

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Statement to the Subcommittee on Investigations, Oversight, and Regulations
Committee on Small Business
Hearing date July 11, 2019

Chairwoman Chu, ranking member Spano, thank you for allowing SCORE to offer written testimony related to the July 11, 2019 hearing regarding SBA's management and oversight of SCORE.

As we have stated previously, SCORE, its Board of Directors and staff leadership are taking the findings in the SBA OIG's report dated April 25, 2019 very seriously. There are legitimate issues that need to be immediately addressed as well as misperceptions that we would like to address in this testimony. We remain completely committed to working with the SBA to remedy all items in the report to the satisfaction of SBA, OIG and Congress.

Improvements needed regarding misuse of funds
The first finding relates to "Improvements needed to ensure SCORE minimizes risk of fraud or misuse of program funds." This finding refers to the commingling of restricted federal funds, ensuring that federal expenses are allowable, allocable, and reasonable, the need to have an effective contract review process, as well as clearer direction of how to properly separate restricted and unrestricted funds at the chapter level.

Both SCORE and SBA have been aware that the commingling of restricted federal funds and unrestricted funds was a significant weakness. Our previous agreement with the SBA was that SCORE would report program income (restricted federal funds) separately, twice each year, mid-year and year end. We have attached the two forms for FY17 to this testimony. SCORE also agreed with SBA at that time to develop a consolidated system that would eliminate the challenge of commingled funds at the chapter level.

SCORE began the development of a centralized accounting and banking system in early 2016. The system is based on the accounting software Intaact and utilizes Bill.com to make actual payments. It was designed in conjunction with management consulting firm BDO. We will merge over 500 accounts into one, each account being properly closed and balanced at the time of the transfer with oversight by headquarters staff.

All chapters will be required to be on the system by September 30, 2020. Because of the criticality of the accounting centralization project, we are currently assessing ways to advance completion, without compromising the integrity and accuracy with which our chapters need to operate.

The new system will centralize bill payment at SCORE headquarters. It consolidates all chapter level banking into a single bank account controlled at headquarters which will include sub-accounts for each SCORE chapter. The sub-accounts will be further divided by restricted and unrestricted funds at the chapter level. Centralizing all chapter level banking eliminates all cash, checks, debit cards or other payment mechanisms at the chapter level. This significantly reduces the opportunity for embezzlement or theft of funds.

To use the new system volunteers and volunteer leaders will submit properly approved invoices or expense reimbursement requests with itemized receipts to headquarters. The headquarters accounting team will review requests and itemized receipts on a line item by line item basis to ensure compliance with all policies, requirements and procedures. Approved requests will be coded for payment with restricted or unrestricted funds on a transactional level basis and will be paid accordingly. Reports accessible to individual chapters and at the headquarters level will provide separation of restricted (Federal) and unrestricted funds.

Deposited funds will also be coded at headquarters as restricted or unrestricted. Again, chapters will have access to daily reports that indicates the amount of restricted and unrestricted assets that are available within their sub account.

SCORE believes that the new centralized accounting system provides the necessary separation of restricted and unrestricted funds at the chapter level. SCORE has respectfully requested that SBA and SBA OIG agree that the banking/accounting system described above, properly implemented and used, separates restricted versus unrestricted funds at the SCORE Chapter level to their satisfaction.

Further, chapters that have not converted to the centralized accounting system are not allowed to spend any funds, federal or unrestricted, on unallowable costs. A partial list of the most likely unallowable costs is below and includes the purchase of alcohol, donations, prizes or gifts, giveaways (swag), and tickets to sporting events or sporting activities like greens fees, lift tickets, bowling lanes etc.

The chapter will retain for review and audit, balanced monthly bank statements with copies of checks and Form 14 expense reimbursement form such that they can be easily audited. All volunteers and staff are required to include itemized receipts with their form 14 expense reimbursement form for all meals and other purchases beginning July 30, 2019.

Until their Chapter converts to the Centralized Accounting system, a volunteer who submits a Form 14 for reimbursement that includes an itemized receipt that contains an unallowable cost, the chapter will be authorized to reimburse the amount of the expense less the amount of the unallowable cost. If a volunteer requests reimbursement based on a receipt that is not itemized, the chapter must decline to pay the expense because we cannot guarantee it was not spent on unallowable items

At any time during the year and at the time of conversion to the new centralized accounting system, SCORE staff or SBA may randomly audit or review these bank statements and specific transactions to ensure compliance.

If a chapter is found to have disregarded this policy, either purposefully or in error without correcting it, those leaders involved (including but not limited to the Chair and Treasurer) will be removed from SCORE.

All chapter funds will be verified at the time of conversion and transferred to the centralized accounting system as restricted or unrestricted funds. Once a chapter is fully converted to centralized accounting, this new SCORE accounting policies related to unallowable costs will be replaced by policies written for the centralized accounting system.

Here is a partial list of unallowable costs.

Alcohol
Donations/Grants (to any organization for any reason)
Prizes (any type for any reason)
Giveaways (Swag: speakers gifts, cups, shirts, food, candy, caps etc)
The cost of sporting events (including tickets, greens fees, lift tickets).

All accounting system changes will be debuted at SCORE National Leadership Conference in August 2019. The training in the SOM is being updated as requested by the audit report.

Excessive bonuses
Related to the finding regarding excessive bonuses, at SCORE, bonuses are a planned part of the compensation for all employees. At the vice president level, bonuses allow a portion of the individual's compensation "at risk." Today, bonus amounts range from 10%-30% of base salary. They are capped at those levels. At most levels, including the VP level, there are metrics negotiated at the beginning of each fiscal year related to the payment of a bonus. Individual employees must achieve these metrics in order to earn a bonus. Holding a portion of compensation at risk is a widely used business practice in both nonprofit and for-profit entities.

SCORE did not budget sufficiently for the total potential bonus pool in FY17, but the bonus ranges were set in the beginning of the fiscal year. We have provided SBA and Committee staff an example. To fix this budgeting error, we ultimately reprogramed roughly $82,000 from a non-compensation line item to cover the previously unbudgeted cost. Reprograming funds from non-compensation line items to compensation is not a regular practice at SCORE. We can only find this one occurrence. The dollar amount of bonuses paid was consistent with previous years' levels. SCORE's Notice of Award states that SCORE has the ability to move money within its budget of +/- 10%. The amount moved was within that threshold. While we did not inform the SBA, we did not intentionally keep that information from them, as we believed we were following our Notice of Award guidelines. The move was shown in the end-of-year reporting submitted to, and approved, by the SBA.

We are respectfully requesting additional information regarding the unreasonableness of the reprogramming of funds in FY17. As stated above, we made a budgeting error, but also followed the guidelines in our Notice of Award to correct that error. We do not believe this action was wrong and we completely understand the optics and the level of concern. Our review shows that under 2 CFR 200.308, federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, function and activities for federal awards in which the federal share of the project exceeds the Simplified Acquisition Threshold and the cumulative amount of such transfers exceeds or is expected to exceed 10% of the total budget as last approved. There is no such language in the cooperative agreement. There is also no language about personnel versus non-personnel costs reprogramming in the cooperative agreement or in 2 CFR 200.308. Therefore, it seems that SCORE is permitted, both under federal regulations and the cooperative agreement – to reprogram costs between budgeted line items that are less than 10% of the total budget, as originally approved. The amount reprogrammed for this purpose was roughly $82,000. The Additional Provisional budget line item of $157,036 was approved by SBA.

Additionally, we have followed all of the protocols and procedures to determine a fair and competitive market rate for the salaries of our SCORE leadership team; and therefore, disagree to categorize the salaries as unreasonable. Our research shows that under 2 CFR 200.430g, the determination of reasonableness includes review of compensation of comparable individuals at comparable nonprofits. SCORE commissions a salary survey every three years with a third-party consultant to determine reasonableness and comply with IRS rules. SCORE's policy is to pay in a range that is plus or minus 15% of the 50th percentile for each position. No salary paid by federal funds exceeds the equivalent of the maximum salary allowable under Senior Executive Service (SES) for agencies, including the U.S. Small Business Administration (SBA) with a Certified SES Performance Appraisal System for FY 2019 and adjusted to the Washington, D.C. market. This is a condition in the notice of award. OPM.gov states that SES executive performance awards are permissible and provides an estimated bonus range of between 5-20% of an executive's base pay. SCORE has provided committee staff with documentation.

We are also seeking a definition of "excessive" related to bonuses paid by federal grant funds.

While SCORE fully understands the concern over the "optics" related to this transaction, we do not believe that we acted inappropriately based on the guidance provided by the SBA, the Notice of Award and other relevant policies or directives. SCORE has also acted appropriately based on the available definition of reasonableness of SCORE salaries and bonuses. SCORE has respectfully requested that it not be required to reimburse the SBA/OIG $101,014 related to excessive bonuses and the reprogramming of funds.

Improperly awarded contracts

Related to improperly awarded contracts, SCORE agrees with the SBA OIG that it did not properly bid six contracts and will reimburse the funds accordingly. SCORE is updating its contracting process for Headquarters and chapters to insure consistency with grant requirements and OMB policies. The final policy will be reviewed with SBA and shared in the SCORE

Operating Manual (SOM) no later than September 2019. Changes will include the definition of a contract, proper documentation, the approval process, spending levels, and required timeframe for approval. The new policy will be discussed at the August 2019 National Leadership Conference. SCORE and SBA have collaborated on a "contract checklist" that will be included with every SCORE contract.

SCORE will appoint or possibly hire a compliance officer who will be responsible for reviewing and following the policy process and other compliance related matters. SCORE will also internally audit all existing contracts to assure compliance with all contract award procedures and policies.

Current audit versus Sandy Audit

Several SBA leaders and Members of Congress have asked why SCORE had not implemented changes in its contracting process given the findings of the SBA OIG related to the Super Storm Sandy grant. The OIG audit findings related to Sandy were released in FY17, the same year that this audit by OIG was underway. The findings related to the disaster technical assistance grant were resolved in September of FY17. Given the overlap in timing and the fact that all but one of the contracts in question were signed in FY16 made it virtually impossible for SCORE to have instituted changes that would have impacted the contracts in question.

Selection of Baltimore conference site

SCORE does not agree with the SBAOIG findings related to the Baltimore Marriott Waterfront hotel for the 2017 National Leadership Conference, SCORE's process for bidding hotel contracts for our National Leadership Conference includes:

> Determining cities of interest: Based on previous locations, travel costs, hotel availability, and other considerations.
>
> Contacting the Conventions and Visitors Bureau in each city for assistance in identifying hotels with appropriate meeting and room night capacity.
>
> The CVB of the chosen city or cities distributes SCORE's RFP to qualified hotels and provides responses to SCORE.
>
> SCORE considers each bid and compares cost and services as well as travel costs, transportation to and from the hotel, taxes and other relevant costs. SCORE develops a short list of possible candidates and does a site visit.
>
> Based on these data and the result of the sight visit a venue is chosen.

For the Baltimore meeting the Baltimore Marriott Waterfront was the only hotel in Baltimore that provided a detailed bid. Two hotels declined to bid, one because they did not have our dates available and one because they did not have rooms to accommodate our group.

We have provided SBA and OIG with the FY17 National Leadership Conference RFP, copies of our correspondence with the CVB, responses from two Baltimore Hotels that declined to bid as well as the successful contract from the Baltimore Marriott Waterfront. Prior to its execution, the contract with the Baltimore Marriott Waterfront and the contract awarding process was approved by SBA.

We believe that our efforts constitute an appropriate level of effort to comply with all guidelines and policies related to the awarding of this contract. SCORE has respectfully requested that it not be required to remit $383,543.35 related to this contract.

In the future SCORE will request three complete bids from hotels within the local region. If three hotels are not available as was the case in Baltimore, MD and Jacksonville, FL, we will carefully document that in our request for contract approval sent to SBA.

Unallowable and unallocable expenses

SCORE supports SBA OIG findings related to unallowable and unallocable expenses. SCORE has agreed to reimburse the amounts in question. The cause in each instance was chapter level accounting error or an inability to provide proper documentation related to invoices being paid by restricted vs unrestricted funds.

Requesting donations for mentoring

The SBA OIG found that SCORE's New York City chapter was requesting donations to the Chapter from mentoring clients. After reviewing this situation and the materials being used by the Chapter to solicit donations, SCORE headquarters agrees with the finding. SBA and SBA OIG have agreed that the Chapter can return all donations solicited in this way to the original donor. The chapter has agreed to provide evidence of the returned funds.

Whistleblower policy

SCORE's whistleblower policy appears below. It was first distributed through the SCORE Volunteer Center in January 2015. The policy itself was written by SCORE's outside legal firm of Nixon Peabody. The project was led by the Chair of our Nominating and Governance committee at the time. We believe it is in compliance with existing whistleblower laws.

SCORE has agreed with SBA and OIG recommendations to add the SBA Whistleblower policy to the SCORE SOM and require annual training on its interpretation and use. We are adding whistleblower training to our volunteer onboarding process and to our annual code of ethics review e-module.

Thus far, we have been unable to find any guidance in the 2017 Notice of Award or any other guidance from the SBA or OIG requiring that SCORE have and maintain a whistleblower policy. Guidance is being added to the FY20 Notice of Award. Again, SCORE added the policy below in January 2015 with no guidance from SBA. We will follow SBA OIG recommendations moving forward and add the SBA's whistleblower policy and OIG Hotline.

SCORE Whistleblower Policy, 2015.

SCORE will protect whistle-blowers as defined below.
• SCORE will use its best efforts to protect whistle-blowers against retaliation. Whistle-blowing complaints will be handled with sensitivity, discretion and confidentiality to the extent allowed by the circumstances and the law. Generally, this means that whistle-blower complaints will only be shared with those who have a need to know so that SCORE can conduct an effective investigation, determine what action to take based on the results of any such investigation, and in appropriate cases, with law enforcement personnel. (Should disciplinary or legal action be taken against a person or persons as a result of a whistle-blower complaint, such persons may also have the right to know the identity of the whistle-blower.)
• Employees, contractors and volunteers of SCORE may not retaliate against a whistle-blower for informing management about an activity which that person believes to be fraudulent or dishonest with the intent or effect of adversely affecting the terms or conditions of the whistle-blower's employment, including but not limited to, threats of physical harm, loss of job, punitive work assignments, or impact on salary or fees. Whistle-blowers who believe that they have been retaliated against may file a written complaint with the Secretary or the Chair of the Board. Any complaint of retaliation will be promptly investigated and appropriate corrective measures taken if allegations of retaliation are substantiated. This protection from retaliation is not intended to prohibit supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.
• Whistle-blowers must be cautious to avoid baseless allegations (as described earlier in the definitions section of this policy).

Dismissal of whistleblower
SCORE agrees with the SBA OIG that a Whistleblower was inappropriately dismissed. Based on documents provided by the volunteer leaders involved, the dismissal was for issues unrelated to the occurrence of employee theft and the subsequent reporting of that theft in the Seattle Chapter. Upon further review by SCORE's Board of Directors and legal counsel, termination was not appropriate. The volunteer leaders involved were reprimanded.

SCORE, the Board of Directors and staff are committed to working with the SBA, OIG, Senate and House to resolve these issues and make the changes needed to ensure they are not repeated. We are very concerned that SCORE clients will ultimately be impacted and we are working hard to make the needed changes and at the same time serve clients.

These findings are related to the administration and leadership at SCORE headquarters and should not be allowed to tarnish or undermine the great work done by SCORE volunteers over the last 55 years. SCORE has mentored and trained millions of individuals and businesses. It has helped clients create hundreds of thousands of businesses and jobs. It still deserves the funding and support that will allow it to continue to scale and grow, allowing SCORE to fulfill its mission of growing thriving entrepreneurial communities through mentoring and education. We stand by that mission, our vision, values and client success. We appreciate the many years of support that has been provided by this committee and its individual members. We will fix these

problems to your satisfaction and continue to provide excellent services to communities and individuals across America.

Respectfully submitted,
Ken Yancey
CEO SCORE

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